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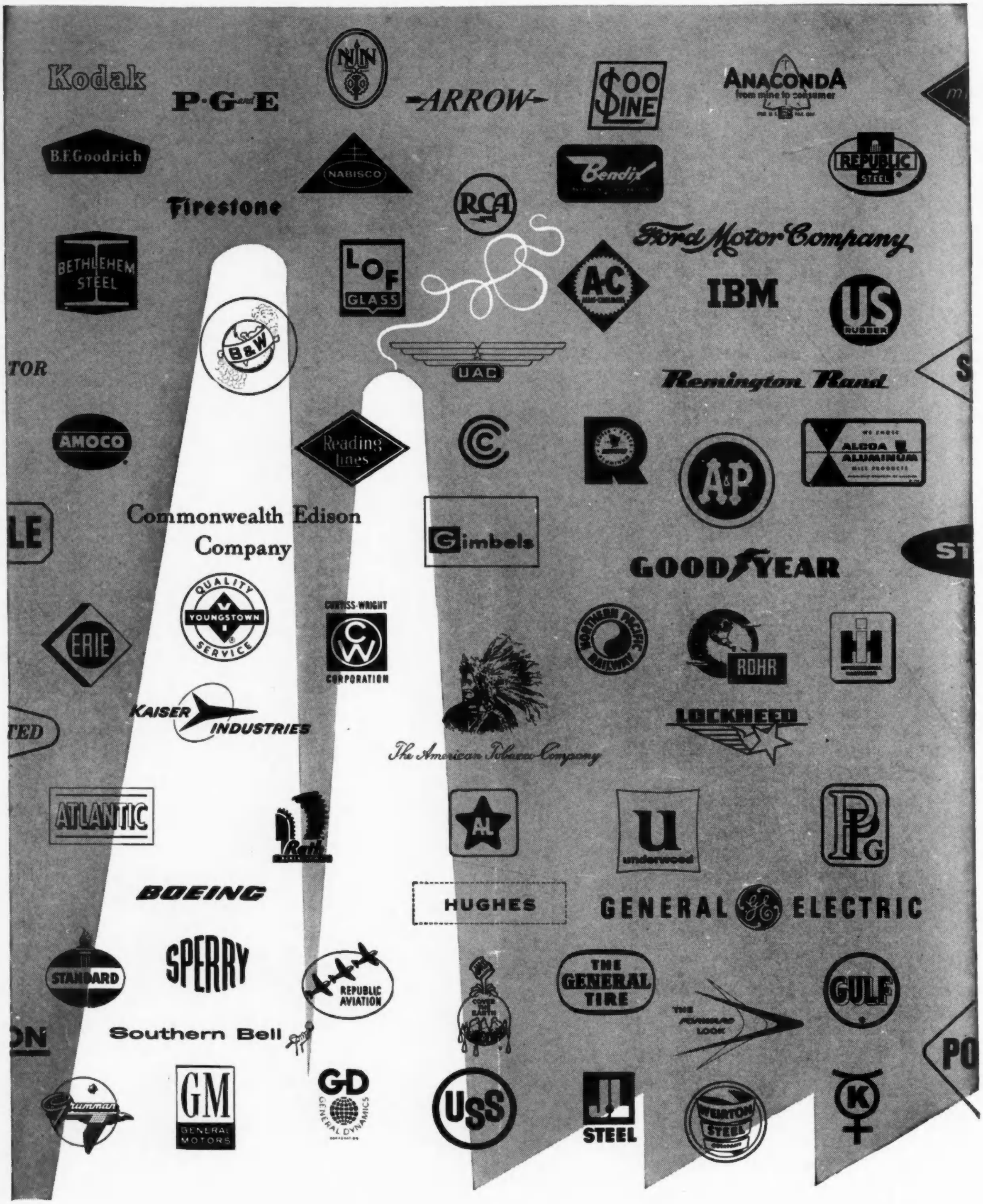

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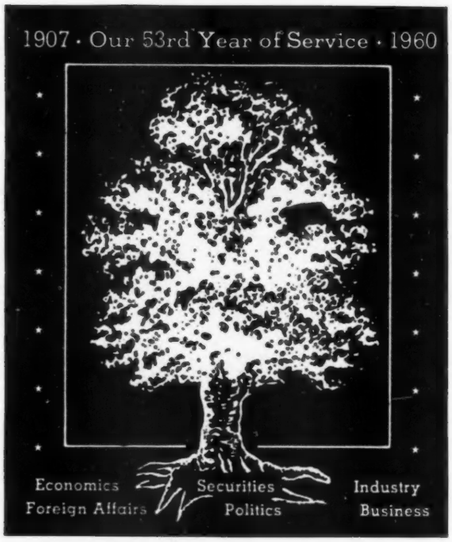
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

WE TALK TOO MUCH WITHOUT THINKING . . . After the humiliation the President suffered at the Summit Meeting it is certainly out of place for Adlai Stevenson to indulge in flights of rhetoric regarding the so-called blunders in handling the U-2 incident.

Better it would be for Mr. Stevenson to suggest some constructive effort so that we can present a united front to the world instead of the divisive face Mr. Stevenson shows to our enemies.

If his speech was his way of throwing his hat in the ring for the Presidency, *he* made a serious blunder—for the Democrats will certainly be barking up the wrong tree if they make foreign affairs an issue in the campaign, since they haven't a leg to stand on—for the Russians would not be in Berlin today if Franklin D. Roosevelt had not ordered the withdrawal of our troops so that the Russian forces could catch up and enter Berlin simultaneously with the U.S. forces. (And how General Patton protested!)

Then take our laissez-faire attitude in Czechoslovakia, which the Russians were permitted to take over lock, stock and barrel against the will of the people there—throwing this free state to the wolves of Communism.

And Mr. Acheson's policy in dubbing the overrunning of China as an "agrarian revolution," which ended in the enslavement of the Chinese people and let the Communists loose to prey on the rest of Asia—so that today they are challenging the United States in the Far East.

And then what about permitting the Russians to take over in Manchuria and occupy some of the Japanese Kurile Islands, although they hadn't lifted a finger in joining us in our fight against Japan?

And I hope Mr. Stevenson hasn't forgotten that it was Mr. Harry Truman who dismissed General MacArthur when he tried to clinch defeat for the Communist forces in Korea.

No wonder Mr. Khrushchev said he longed for the days of President Roosevelt, and suggested postponement of the next Summit Meeting until after election, in the hope that a Democrat would again be President. Mr. K did not do the Democrats a good turn when he came over to their side in the Presidential Election.

Adlai Stevenson should have thought about this when he made his partisan attack, instead of playing politics—and ill-considered and ill-advised politics at that. The Democrats would do well to remember that their claims to greater wisdom will only remind the voters that Ike inherited the whole mess from the Democrats, including even the huge debt, both of which were not of his making. And that at the risk of his life he has fought gallantly to solve our financial and political problems—beset on every side by detractors with an axe to grind.

And if we are to appraise Democratic judgment, I would say that Senator Kennedy too made a bad faux pas when he rushed into print with the statement that if he is elected president, Adlai Stevenson would be his choice as Secretary of State.

All in all, it is clear there is bad judgment on both sides—the Republicans and the Democrats—but that the Democrats hold the palm.

As far as Ike is concerned, he needs more sophisticated public relations. Even my little granddaughter could have handled it better.

As I See It!

By Charles Benedict

WHAT WAS WON — AND LOST — AT THE PARIS SUMMIT

EVEN before the gathering of the leaders in Paris, it became crystal clear that Nikita Khrushchev was no longer thinking in terms of the "Spirit of Camp David". That, on the contrary, he felt deeply affronted by the suggestion that Vice President Nixon take President Eisenhower's place at the Conference if it lasted more than a week. His quick retort—that to do so would be like "leaving the cabbage to the care of the goat"—spoke volumes, and should have been recognized as a storm signal.

But, instead, it was ignored, so that when Khrushchev saw how the wind blew, following the preliminary talks between the Western leaders, he began looking for an "out". For he no longer felt he could hope to accomplish his purpose in the face of the stiff opposition that was building up against him and he did not want to risk failure.

Faced with this dilemma, he jumped at the propaganda possibilities inherent in the U-2 incident, and blew the "menace" up to enormous proportions for the purpose of giving him a victory on which his heart was set, and which he could not otherwise have secured—that of disrupting relations between the United States and the countries bordering the U.S.S.R. in which our bases are located—a fixed goal that Russia has always sought in furthering her plan to achieve World Communism without having to fight a hot war.

To clinch this objective, Andrei Gromyko was rushed to the UN for the purpose of pressing the espionage charge and making permanent the discontinuance of intelligence flights over the U.S.S.R.—while the demand for censure of the United States was merely a secondary propaganda objective maliciously designed to humiliate us and impair our prestige.

But second thoughts had already begun to minimize the effects of the first shock, when the nations of the world were stunned by the brazen arrogance of Nikita Khrushchev's studied insults in Paris.

And, when in the very midst of the charges at the UN, we launched our "spy-in-the-sky" satellite, designed to obviate further U-2 flights, it made Gromyko's demands irrelevant and pointless.

Minuses for the Soviet Union

Even before this happened, there was no possibility that this country would be censured in the United Nations. In the face of Khrushchev's repeated threats to "bury us", the trumped-up accusations were recognized for what they were, and rejected out of hand by our allies with the contempt this

hypocrisy and his intemperance deserved.

Russia has gained nothing by this maneuver. Instead, she has underscored the weakness of her defense for all to see—as shown up by the fact that this nation has again and again, over a four year period, flown over her areas of military importance in flights as long as 1,300 miles or more.

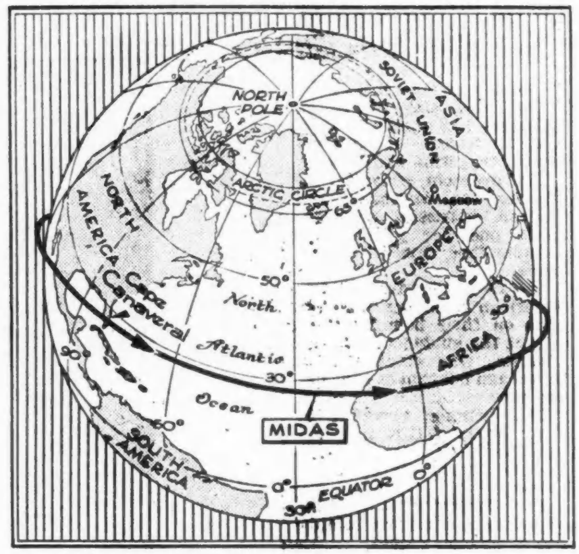
And let us remember that the Russian perimeter reaches from the Arctic to the Black Sea—from East Germany in Europe to the Pacific.

This vulnerability is sufficient in itself to deter the Soviet Union, but when you add the fact that Russia has little or no food stocks to feed her working population as well as her army and has had a crop failure this year on top of that— it is clear that Russia is in no position to fight a war. We may well ask whether the revelation of her defensive weakness may not have been Mr. K's reason for putting off the signing of a peace treaty with East Germany, which was made to appear as a softening gesture following his violent threats in Paris.

I doubt whether this postponement has improved his position in East Germany, where the people undoubtedly resent his using them as a pawn in the game of power politics.

And what of the folks back home in Russia, who for the first time have been apprised of the vulnerability of their country to attack. Certainly the military clique must be on his back—and this was undoubtedly responsible for his evident hysteria, which took on proportions of fear for his political existence—and, for his very life!

The turn of events has certainly strengthened the hand of the Communist theoreticians, who believe that Khrushchev's departure from the precepts of Lenin and Stalin has gone too far, and is permitting too many Western ideas to permeate the thinking of the people of the Soviet Union.



MIDAS ORBIT: The satellite avoids much of Communist world. But vehicle launched from Cape Canaveral, Fla., will cross South China, North Vietnam and Tibet.

The Rivalry of Mao Tse-tung

Ever since the death of Stalin there has been a schism in relations between the Soviet Union and Communist China on the practice of the Marxian ideology. In fact, Mao-Tse-tung sees himself as the leading disciple of Marx and heir to Stalin. Thus, while adjustments of one kind or another have been made in the area of economic or military support, the differences in Communist practice have continued to grow in the face of Khrushchev's design for "peaceful co-existence" with the West.

On the other hand, the Chinese Reds have followed a pattern of active aggression in Asia in accordance with the tenets of conquest laid down by Lenin—that of destroying Capitalism by invasion of Europe from Asia. Hence they did not approve of Khrushchev's attempt to solve problems through negotiation, and have been against the summit meetings from the very beginning.

It is clear that Khrushchev set his course on the background of Stalin's success in negotiation, which had enabled the Soviet Union without a hot war to build up a powerful industrial machine and achieve scientific eminence in outer space exploration — while at the same time it was pursuing a cold war which consisted of propaganda, infiltration and both political and economic subversion in the various countries.

But the acclaim won by Eisenhower on his journeys to lands abroad, Asia and South America, put a crimp in the prestige that the Soviet Union had built up, while the rise of de Gaulle in France elevated a strong, purposeful and highly intelligent individual to peak power, a man able to cope with Russian machinations in a way that the Kremlin had not encountered before.

And now that the axe has fallen on Khrushchev's dream of victory over Eisenhower, Mao Tse-tung is sure to take advantage of the situation and press for the kind of supreme power that he has been aching for these many years past.

This is the situation that Khrushchev and the other ambitious leaders of the Soviet Union will have to face—and in the near future.

Where heretofore Red China has been challenging Russia in Outer Mongolia and moving north without fanfare, the possibility now is that they may call on the Soviet Union for a "peaceful distribution" of the living space they so badly need. But that will only be the first step, the rest is in the lap of the gods to which only coming events themselves will give the answer.

For the Leaders of the Free World

It would be a good thing to reread the profound and prophetic work, "Decline of the West", by Oswald Spengler, who, as far back as the nineteen-twenties, warned that unless our civilization used wisdom in the handling of its affairs, the hordes from Asia would pour over Europe and the rest of the world like locusts. The descendants of Attila the Hun and Genghis Khan will be on the march unless the right kind of leadership comes to the fore in the Western World. **END**

Spies, Satellites and Stocks

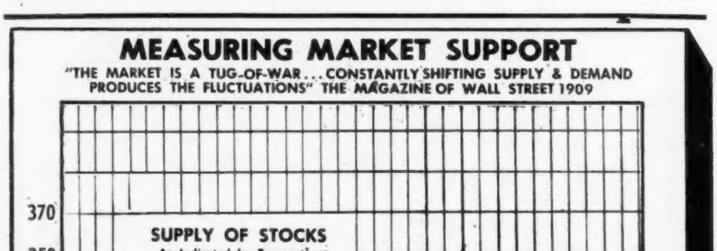
Revival of cold war tensions generates demands for increased military spending that may gain support in Congress. Stress likely to be placed on sky surveillance projects, contributing to more active research in electronic communications and opening new markets for scientific equipment. Revival of demand for critical raw materials, tending to bolster commodity prices, and hints of possible deficit financing likely to encourage demand for those equities as appear to offer an inflation hedge. Technical behavior is mildly encouraging for a summer rally of sorts.

By A. T. MILLER

ESPIONAGE charges and counter-charges, reactivating cold war tensions to the highest pitch in almost a decade, have sharply altered political and economic forces governing financial markets. The sudden upheaval in international affairs at the summit debacle not only raises many domestic questions, but threatens to cause profound changes throughout the world. The stock market scarcely can fail to attempt discounting fateful decisions in world capitals.

Prospect of a more vigorous tempo in defense activities, whether or not it materializes, promises to encourage speculative enthusiasm and contribute to demand for stocks — for a time, at least. It seems doubtful whether the change in environment will persist sufficiently to accomplish a trend reversal, but technical evidence should clarify this point in due course. For the near term, therefore, we may consider any forward movement as a rally in a longer range downtrend.

These are some of the basic reasons for anticipating at least a moderate summer advance: (1) Even the hint of increased defense spending would spur demand for critical raw materials and contribute to firming prices in commodities. (2) Any rise in appropriations at a rate of $2 billion annually, as proposed in the Senate, would dash hope of a budget surplus in the 1960-61 fiscal year, hence checking deflationary economic trends that have prevailed for months. (3) Recovery in industrial activity would give impetus to employment, personal income and consumer buying, thereby stimulating business in many ways.

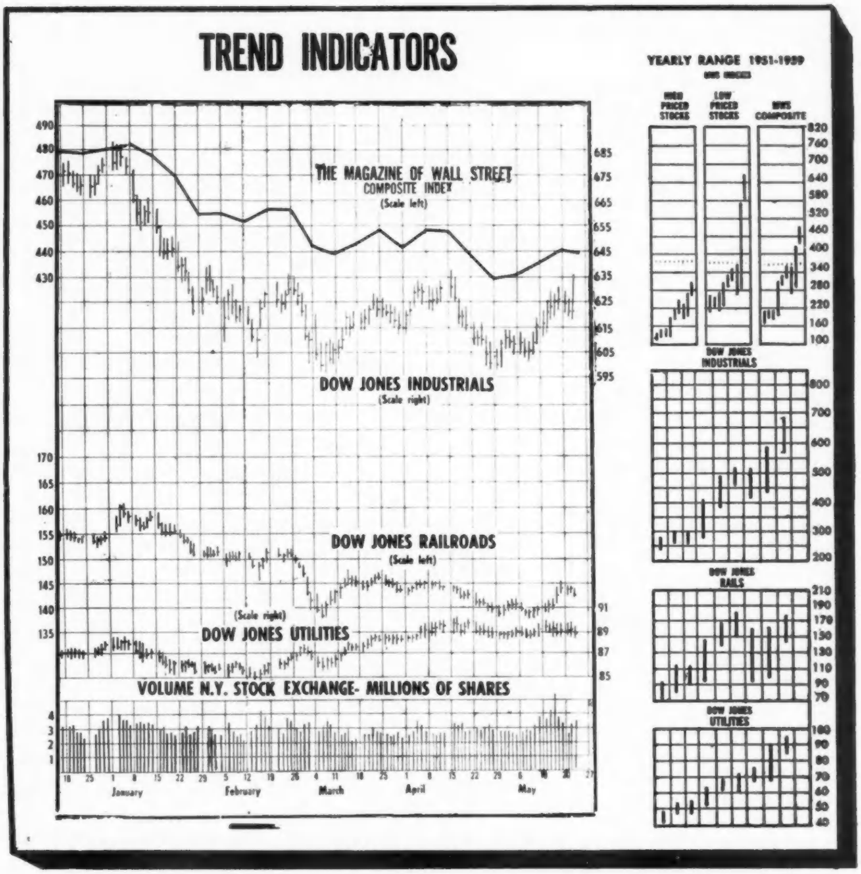


What may be anticipated marketwise, one might ask. The answer depends largely on whether increased military spending actually is authorized, on the manner in which funds are allocated and on how the program could be financed. Logic suggests that, if the defense program is accelerated, new projects may be highly selective and probably concentrated on reconnaisance efforts aimed at supplanting the high altitude surveillance flights undertaken by the U-2 observation planes.

This viewpoint is a key to investment policy-making. Emphasis on improvement in facilities to guard against surprise attacks would open new vistas for specialists in communications electronics — such as International Telephone & Telegraph, Radio Corporation, Beckman Instruments, Litton and Motorola. Potentialities in I. T. & T. and Motorola are discussed in detail in another article in this issue. Companies such as Raytheon and Thompson Ramo Wooldridge have had a part in supplying equipment for the Tiros I meteorological satellite launched by the National Aeronautics and Space Administration to take cloud pictures over Russia. Another type of

reconnaisance satellite, called Midas, was successfully launched on an experimental basis. This so-called "spy-in-the-sky" is expected to detect from great heights any missile exhaust flames that will identify the source and launching of surprise enemy attacks.

Importance with which the Washington Administration views the need for guarding against surprise tactics was illustrated by President Eisenhower's disclosure that he intended to propose that the United Nations undertake a program of aerial surveillance. Although approval of the idea is regarded as doubtful, a program along such lines would involve establishment of a sizable force, and the United States probably would be called upon to provide much of the equipment. The conclusion to be drawn is that intensification of defense efforts promises to have its greatest impact on electronics and aircraft equities — but even in these broad groups there would be a high degree of selectivity.



As frequently happens, after an upturn in the market has been generated by unexpected outside developments, support appears from a variety of news releases that otherwise might have aroused little interest. Disclosure that industrial production in April had remained at the level prevailing in March, for example, was interpreted as a favorable economic development, since pessimists had feared that curtailment in auto output and a slowdown in steel operations would depress the Federal Reserve Board index for the month to another new low on the move. Likewise, personal income and employment data for April surpassed earlier discouraging forecasts. In the more cheerful environment, traders showed an inclination to disregard unfavorable trends — such as continued contraction in steel mill activity and relatively large inventories of new motor cars in dealers' hands — and to emphasize hopeful factors — such as the prospect of an upturn in steel production in the third quarter.

Firming in Technical Factors

In addition to a more hopeful attitude on business prospects for the second half of the year, the market had the benefit of encouraging technical behavior. Assurance for the near term could be found in the fact that the Industrial Average had convincingly refused to "confirm" a penetration on the downside by the Railroad index and thereby had signified a probable intermediate rally. But the uptrend gained momentum, volume of transactions expanded, and speculative activity broadened in so-called "romance" stocks.

Concentration on equities selling at exceptionally high price-earnings ratios failed to diminish interest in good quality stocks usually favored by institutional investors. Thus even while greatest trading interest converged on stocks like American Motors, Thiokol, General Instruments, Nafi and the like, it was interesting to observe that buying was sufficiently aggressive to carry quite a number of blue chips to new 1960 highs. Stocks such as American Chicle, Coca-Cola, Corning Glass Works, General Foods, Johns-Manville, National Biscuit, Procter & Gamble, Standard Brands (and other blue chips) reached levels in the last few days above quotations recorded when the Industrial Average made its all-time top in January. In short, selectivity has become increasingly important in determining investment policy.

Comparatively strong demand for railroad issues reflected a growing belief that the carriers may gain concessions from Railroad Brotherhoods in an eventual settlement of wage negotiations that have dragged along for more than six months. Rail issues have also been helped by indications that regulatory authorities look with favor on current negotiations for consolidations that offer hope of substantial operating economies. In- *(Please turn to page 342)*

THE GROWTH ISSUE in the 1960 PRESIDENTIAL CAMPAIGN

By HOWARD NICHOLSON

► **The only real basic difference between the Democrats and the Republicans**
► **U.S. Growth vs. Russian Growth**

THE Paris fiasco and resultant hardening of the differences between the United States and Soviet Russia have focused increased attention on the economic growth of the two conflicting powers. Taking Russian figures at face value, we have no way of knowing whether they are genuine or not.

Spokesmen for the Democrats maintain that the rate of economic growth in the United States has slowed down during the past eight years in the face of accelerated Russian growth, and indicate that, unless a Federal policy of planned growth is adopted and effectuated, Russian production will surpass ours within a few years.

But—proper weight is not given to the fact that the United States has been setting production records for the world for years, so percentage growth means something quite different than it does for the Russian economy, which started from a very low level.

The determination as to whether the rate of economic growth has slowed down under the present Administration is dependent to a large extent upon which particular period prior to 1953 is chosen for making comparisons. This appears to be one of those cases where you can provê anything you want with statistics, provided of course that you choose the "right" statistics.

Be that as it may, the Democratic "planners" generally have settled upon a goal of 5 percent annual growth for the United States economy. Stripped of the customary excess verbiage, this goal would be attained through stepped-up government

spending of the "welfare" variety, raising minimum wage rates, reversion to an easy money policy, and so on.

Recognizably, such measures would be inflationary and unquestionably would result in Federal budgetary imbalance. However, this does not seem to bother the planners particularly. If the economy should show signs of faltering, they would step up the dose of government stimulants.

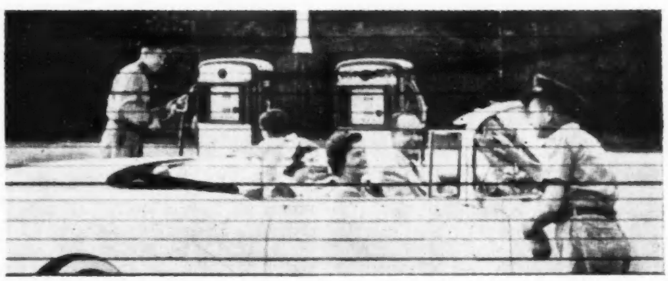
Actually, the advocates of "planned economic growth" prefer to believe, despite experience to the contrary, that the economy could be stimulated without accelerating the uptrend in the general price level and the cost of living to an appreciable extent.

Interestingly enough, they are unusually silent on what action they would propose if prices threatened to run away. It is reasonable to deduce, however, that they would favor adoption of price controls rather than abandonment of their economic "goals." Gradually, we would become increasingly regimented and eventually might end up in a society not greatly different from that in Russia.

Under State Control—without competition —Iron Curtain gasoline costs about $1.50 a gallon.

Progress With Freedom

The **Republican Administration** is dedicated to halting inflation and the maintenance of sound money, in order to uphold the value of the dollar around the world, upon which our prestige, so necessary at this time, depends.



Under America's competitive business system, the average cost of U. S. gasoline is a fraction over 29 cents a gallon.

Progress will be stimulated, as it has been stimulated in the past by the creation and maintenance of an economic climate favorable enough to encourage business men to plan ahead for further growth—to spend huge sums in research to produce new products, and make capital investments necessary to enable them to compete with the rest of the world on favorable terms at home and abroad. Already this year, according to the latest estimates, plant and equipment expenditures will rise to slightly above the previous high.

The position of the Administration on growth is that, in a free society, progress seldom is uninterrupted. Although the business cycle has not been eliminated, it has been tamed through defensive measures by industry and government that help to maintain our economy and tide us over a period of economic correction. For these Republican "planners" recognize that booms, crises and depressions are the logical result of human nature, which always has a tendency to go from one extreme to the other —a psychological factor of first importance that must be taken into consideration at all times.

This psychological factor seems to be ignored by the **Democratic planners** who appear to act under the impression that bureaucrats are not subject to this weakness, and they also blink at the fact that in Government there is a tendency to take the course of least resistance—with a readiness to pass responsibility up to the succeeding level of authority.

In the field of monetary affairs, Republican planners believe that the Federal Reserve Board should be given a free hand, without Administration pressure to "lean against the wind," tightening credit when a business boom threatens to get out of hand and assumes an explosive nature, and easing credit when business activity shows signs of slowing down. **The Democrats, on the other hand, want easy money.**

Welfare—The Administration is not opposed to increased Federal spending of the "welfare" variety, but does believe that such increases should be held to those that we can afford within the framework of a balanced budget except of course under great urgency.

Defense — Do not make any mistake about it — our government is fully aware of the Russian threat, both economic and military. On the economic front, it believes that free enterprise, with a minimum of governmental interference, will continue to enable the United States to outstrip Russia in the production of consumer goods—while on the military front we are dedicated to maintaining defensive superiority that will enable the United States and their allies to preserve their freedom.

The proof of the pudding is in the eating. At the present time, "real" per capita disposable income (income after taxes adjusted for price changes) is the highest in history. "We never had it so good."

Why Only 5 Percent?

The **Democratic planners** do not deny that the economy has grown during the past eight years but complain that it has not grown fast enough. They want to step up the growth rate from 3.6% to 5%. Economic growth has been restrained, they aver, by tight money and the rise in the interest rate, as well as by the lack of "economic planning."

It is somewhat difficult to understand why they should limit their aim at only 5%, in view of the fact that the planners apparently believe economic growth can be stimulated indefinitely at close to any desired goal.

Carrol M. Shanks, president of the Prudential Insurance Company of America, speaking recently at the annual convention of the New Jersey Bankers Association, stated "that from 1948 to 1960, the average annual growth in total Russian output has been about 7 percent as compared with a growth rate of about 3.6 percent in the United States—a substantial rate of growth considering the high level of our economy."

At any rate, with the economic growth of Russia at about 7%, the 5% annual increase suggested by the Democrats would still leave our proportionate growth behind Russia, so that eventually we would be falling behind Soviet output.

The JOKER in all of this is that United States economic output far exceeds Russian output, while our standard of living is vastly superior—at a level higher than that of any other nation in the world.

Percentage Figures Often Give Erroneous Impressions

For example, if every Russian who has a pair of shoes purchased another pair within a year's time, the increase would be 100%. If every American who owns four pairs of shoes bought a new pair, the result would be only a 25% increase—yet at the end of the year the American would still have three pairs more than the Russians.

From a population standpoint, if their production of shoes equalled our own, every American would own one pair, while half of the Russians would be barefoot, because their population is twice that of ours.

Although all data on Russian output tend to be grossly inflated for propaganda purposes, it appears likely that present Russian output is equal to about 40 percent of United States output. Since the population of Russia is larger than that of the United States and since a smaller percentage of Russian output consists of consumer goods, the standard of living probably is some 75 to 80 percent below ours.

It is well to keep realities in mind when dealing with percentage figures, in which the Russians and some of the Democratic planners seem to indulge. As someone said, "If statisticians were laid end to end it would serve them right."

Early Stage of Growth

Since the Democratic planners have chosen Russia as the nation with whom to make a comparison as to our productivity, let us examine the matter more closely.

In evaluating the rates of growth of the two countries, full consideration must be accorded the fact that our economy is adult, and Russia's is only at the teen-age stage.

Our present high stage of economic development is the product of 150 to 175 years of growth, much of which was on a trial and error basis. For all practical purposes, Soviet economic development began only some 40 years ago. By borrowing heavily from the United States and other countries in an advanced state of economic progress, Russia has been able to avoid the growing pains, and achieved a rate of growth that was not possible a couple of generations ago.

Very rapid rates of growth are to be expected in the early stages of industrial expansion, when a country is drawing heavily upon the "know how" of the more advanced industrialized nations.

In some of the more backward countries of the free world that we have been helping to become industrialized under foreign aid programs, the rates of economic growth in recent years have been larger than the Russian rate.

It would be specious to assume, however, that these high rates of growth any more than the Russian rate of growth can be maintained for an indefinite period.

Capital vs. Consumer Goods

The high rate of growth in Russia in recent years

Comparison of United States and Soviet GNP, 1950-70

	Actual				Projected		Average annual growth rate (percent)	
	1950	1955	1957	1958	1955	1970	1950-57	1957-70
Soviet GNP (billions 1958 dollars)	117	158	179	190	286	378	6.3	6.0
U.S. GNP (billions 1958 dollars)	352	435	452	442	633	790	3.6	4.4
Ratio U.S.S.R.: United States (%)	33	36	40	43	45	48	.. ..	.. ..
Soviet population (million)	182	198	204	207	233	250	1.6	1.5
U.S. population (million)	152	165	171	174	196	214	1.7	1.0
Soviet GNP per capita (1958 dollars)	643	798	877	918	1,227	1,512	4.5	4.3
U.S. GNP per capital (1958 dollars)	2,316	2,636	2,643	2,540	3,230	3,692	1.9	2.6
Ratio U.S.S.R.: United States (%)	28	30	33	36	38	41	.. ..	.. ..

Sources: U.S. Department of State, "Soviet Economic Growth in the Struggle for the Underdeveloped World," unclassified document, Mar. 11, 1959. Data in this document have been converted from 1957 to 1958 values, and the U.S. GNP data slightly altered on the basis of recent revisions. Projected Soviet figures are State Department estimates; projected U.S. data represent estimates of the National Planning Association.

stems from the fact that the Communists have devoted a larger percentage of total output to capital goods, at the expense of consumer goods. And, since so much of Russian industry is relatively new, less replacement is necessary.

As a result of this emphasis on capital goods, the productivity of Soviet workers has increased substantially although the output per worker is far below that in the United States.

The Russian people, judging from reports that have reached us from time to time, are clamoring for a higher standard of living. Thus the Communist rulers undoubtedly will be forced to devote a larger and larger share of total output to consumer goods.

As this occurs, the Russian rate of economic growth unquestionably will decline.

It is within the realm of possibility that, at some remote future date, Russian economic production will catch up with and surpass United States output, to meet their population requirements, already double ours. However, this is far, far in the future, and we can only hope and pray that, when this occurs, if it actually does, the Russians will have acquired a consciousness of the dignity of man for all their people.

Statistics on Soviet Output

Following is a table showing selected 1965 production goals of the Soviet seven-year plan and actual production in 1958 (all tonnage is in metric tons).

	1958 Output	1965 Goal
Pig iron	39,600,000 tons	65-70,000,000 tons
Steel	54,900,000 tons	86-91,000,000 tons
Iron ore	88,800,000 tons	150-160,000,000 tons
Coal *	496,000,000 tons	596-609,000,000 tons
Petroleum	113,000,000 tons	230-240,000,000 tons
Gas (cubic)	29,800,000,000 meters	150,000,000,000 meters
Electricity	233,000,000,000 kwh	500-520,000,000,000 kwh
Cement	33,300,000 tons	75-81,000,000 tons
Fertilizers	12,400,000 tons	36,000,000 tons
Autos, Trucks, Buses	511,000	750-856,000
Machine Tools	138,000	190-200,000
Paper	2,200,000 tons	3,500,000 tons
Locomotives (No.) †	1,056	2,550-2,700
Cotton Cloth	5,800,000,000 meters	7.7-8,000,000,000 meters
Wool Cloth	303,000,000 meters	500,000,000 meters
Silk Cloth ‡	845,000,000 meters	1,485,000,000 meters
Shoes	356,000,000 pair	515,000,000 pair
Hosiery	887,000,000 pair	1,250,000,000 pair
Grain	139,000,000 tons	163-180,000,000 tons
Unginned Cotton	4,400,000 tons	5.7-6,100,000 tons
Sugar Beets	54,100,000 tons	70-78,000,000 tons
Meat and Fat	7,900,000 tons	16,000,000 tons
Milk	57,800,000 tons	100-105,000,000 tons
Wool	321,000 tons	548,000 tons

*—Includes lignite. †—Diesel and electric locomotives. ‡—Natural and artificial silk.

Lagging Farm Output

In the years since the end of World War II, a considerable part of the increase in Russian output has been accomplished by moving the worker from the farm to the factory. In Russia, this has been a shift from lower rates to higher rates of productivity. But, this shifting cannot continue much longer since food supplies already are threatened and the Communist leaders are now being forced to concentrate on increasing farm output.

"Russia's capacity to lead will continue to lag so long as she must employ 50 percent of her labor force to produce less than the Russian people need," stated Richard J. Babcock, president of Farm Journal, speaking recently at the annual meeting of the National Industrial Conference Board. "America's capacity to lead, on the other hand, will remain on the ascendancy so long as we need only 10 percent or fewer of our population to produce more than we consume.

"Russia and the world both know that no nation can lead other nations upward so long as their economy can provide only a low standard of living for its own people," he said. "Obviously, then, food and the manner in which we produce it are vital parts of our arsenal as we fight the cold war to maintain our position of world leadership. America's food supply and farm efficiency are vital to our world leadership."

Annual Change in U.S. Gross National Product

(in constant dollars)

1945	— 1.2%	1953	4.4%
1946	—10.0	1954	— 1.6
1947	— 0.1	1955	8.1
1948	3.8	1956	2.1
1949	— 0.1	1957	1.3
1950	8.7	1958	— 2.3
1951	7.4	1959	7.0
1952	3.4	1960	4.0 (estimated)

Crisis After Crisis

Russian agriculture, as is well known, has been in one crisis after another under communism.

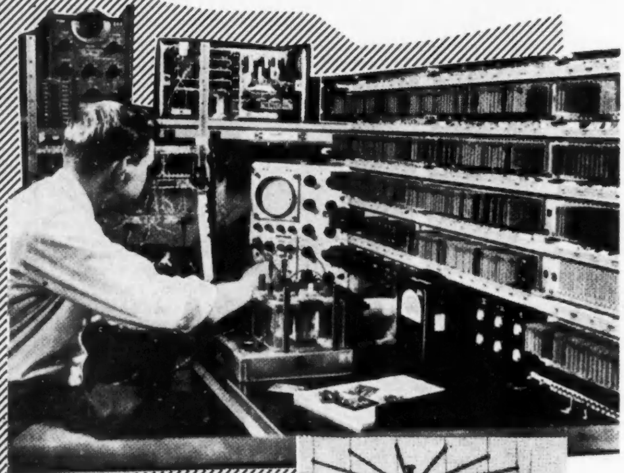
It should be remembered that the appeal of communism is primarily to workers in industry. In Russia, as elsewhere throughout the world, the farmer is very much of an individualist. He is essentially a business man, even though his position in this category may range from very small to very large.

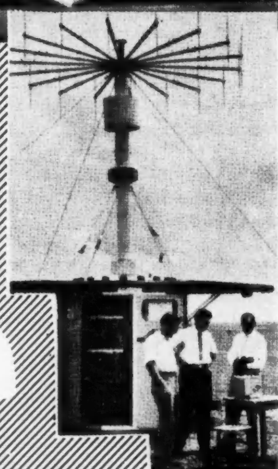
The lot of the Russian farmer under communism, whether working in a "co-operative" or a state farm, is much worse than that of the workers in industry. He lives poorly and has access to fewer consumer goods. The incentive to increase production is largely lacking.

Agriculture unquestionably is and will continue to be one of the weakest spots in the entire Russian economy. Russia has been unable to accumulate any substantial reserves of food and, consequently, crop failures or near crop failures as a result of adverse weather conditions assume the aspect of national disaster.

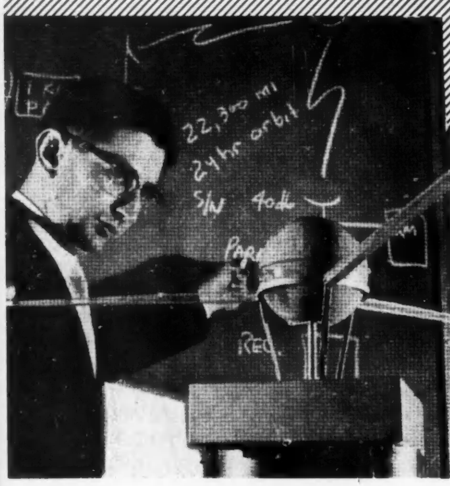
In the event of a major international crisis of any duration, Russian agriculture could almost be depended upon to break down first. While efforts to increase farm output *(Please turn to page 342)*

Airborne digital computors undergoing reliability tests are examples of the "sophisticated hardware" being developed by technical personnel in Motorola's Military Electronics Division.





The high degree of accuracy of the commutated-antenna direction finder developed by the ITT System in England has brought increased safety to air operations.



A mock-up of 24-hour active satellite communication system proposed by ITT-U.S. laboratories for worldwide telephone-telegraph-television-facsimile service. With suitable ground networks, it could serve the entire world.

A Healthy Rebirth Under Dynamic Management

For INTERNATIONAL TEL. & TEL. —For MOTOROLA

By WARD GATES

► **Two companies that have changed emphasis and character now move dramatically ahead in new fields**

INTENSIVE research in electronics, induced by military necessity, has opened undreamed of vistas in industries that had previously lost dynamism for one reason or another. Thus scientific achievement has changed the character of many corporations, spurred growth and expansion in others, and has resulted in the formation of hundreds of new enterprises dedicated to the exploitation of fresh electronic ideas.

We have selected International Telephone & Telegraph Corporation and Motorola, Inc. as representing two companies that are making enormous strides in this field. In both instances capable and aggressive managements have wrought complete transformations in the companies' operations.

I. T. & T.'s About Face

Formed a generation ago to serve as an investment medium for American funds in Europe, I. T. & T. concentrated on the acquisition of telephone companies in countries where there were no government monopolies. By the time of World War I the company had become the largest American-owned corporation of its kind. The operations were geographically diversified over several South American as well as European countries, and included the manufacture of communications equipment as well as the operation and maintenance of telecommunications systems.

As originally set up, it was a soundly conceived plan, but it ran into difficulties as a result of World War I. After that, although manufacturing operations were extensive, the company was nevertheless considered a utility and faced the constant threat of government take-over, difficult rate problems were always present, and labor problems varied from area to area—and it became evident several

years ago that the best interests would be served by shifting from the telephone business to the manufacturing of electronic items.

Advantages of "Spin-Offs"

From time to time, telephone subsidiaries have been disposed to local interests. The Mexican telephone holdings were sold nearly two years ago to provide $12 million to a fund set up for expansion in the electronics field. The most recent spin-off was the L. M. Ericsson Telephone Company of Sweden, one of the company's original investments, which also raised a significant amount of cash. Other properties are being modernized and strengthened preparatory to being sold. The fact that exchange restrictions in some cases have limited the transfer of the proceeds of these sales has been no serious problem, since opportunities abroad for reinvesting these funds in manufacturing plants are plentiful.

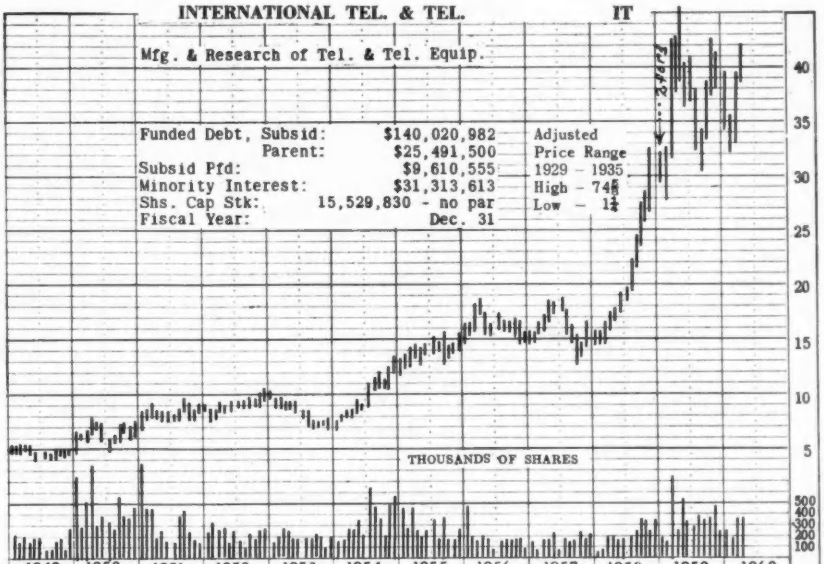
As a result of the transitions which have been taking place, I. T. & T. reduced the portion of its income from telephone and radio operations to $7.5 million last year, or about 25% of total earnings approximating $29 million. Foreign manufacturing and research operations in 1959 accounted for $14 million in net income, or almost 50% of the total, while domestic manufacturing and research, together with other income, came to $7.5 million, or roughly 25% of the year's net profit. Management evidently would like to push its foreign operations more vigorously to take advantage of favorable labor costs abroad.

Indications are that management is continuing its policy of expanding foreign production, especially in the area of electronics and telecommunications equipment. World-wide cable and wireless services connecting countries are also of increasing importance, since such operations are not under complete control of any one country.

To obtain a clearer perspective of world-wide operations, one should note that the I. T. & T. system conducts manufacturing operations in 24 countries outside of the United States, including attractive locations in Europe where advantages of the European Common Market can be exploited. Important telephone and radio facilities are operated in eight countries or territories other than the United States. Through subsidiaries, world-wide cable and wireless activities are conducted. Principal domestic manufacturing operations are handled by Kellogg Switchboard & Supply as well as by ITT Federal.

I. T. & T. Important to Defense Effort

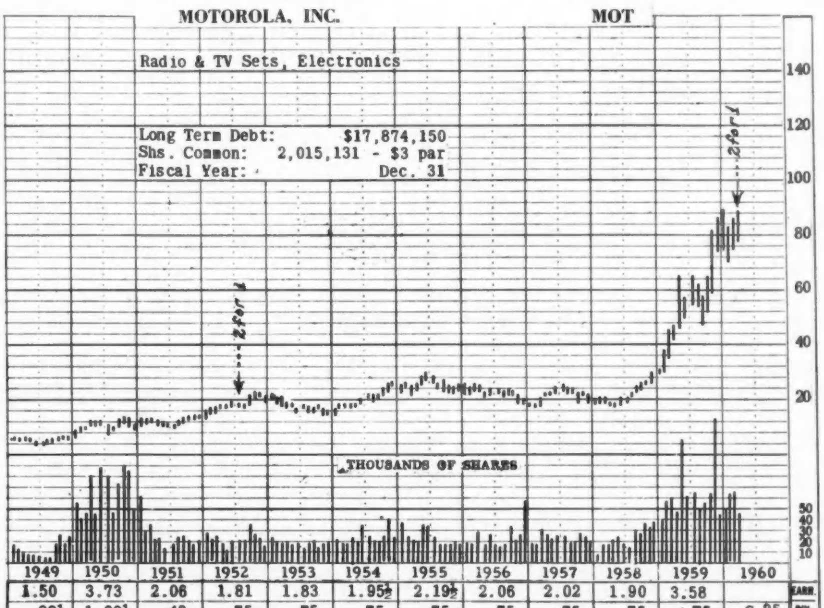
About three-quarters of domestic sales are for military projects. The company is a prime contractor for the world-wide Air Force communications system, the world-wide Strategic Air Command's



	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
EARN.	.36	1.19	1.30	1.55	1.56	1.40	1.61	1.46	1.56	1.81	1.87	
DIV.	-	-	*.30	.40	.50	.50	.60	.85	.90	.90	.97½	q.25
WORK.CAP.MIL $	115.7	120.2	136.5	144.7	156.3	180.5	199.9	203.9	200.8	233.9	222.2	

* Plus stk div.

q-quarterly dividend



	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
EARN.	1.50	3.73	2.06	1.81	1.83	1.95½	2.19½	2.06	2.02	1.90	3.58	
DIV.	.28½	1.02½	.49	.75	.75	.75	.75	.75	.75	.75	.75	q.25
WORK.CAP.MIL $	14.5	21.0	29.0	38.1	38.2	38.3	42.9	50.8	52.2	54.6	57.0	

q-quarterly dividend

Balance Sheet Data

	International Tel. & Tel. Corp. 12/31/59	Motorola Inc. 12/31/59
	(Millions)	
Common Stock and Surplus	$415.0	$ 83.3
Preferred Stock	$ 9.6[1]	None
Long Term Debt	$165.5	$ 17.8
Cash and Marketable Securities	$ 39.3	$ 9.7
Inventories, Net	$237.3	$ 37.0
Receivables, Net	$194.6	$ 51.2
Current Assets	$471.4	$105.6
Current Liabilities	$249.2	$ 48.5
Net Working Capital	$222.2	$ 57.1
Current Ratio (C.A. to C.L.)	1.9	2.2
Net Property	$355.1	$ 33.4
Total Assets	$932.3	$149.7
Book Value Per Common Share	$ 26.73	$ 21.05[2]
Earnings Per Share 1959	$ 1.87	$ 3.58[2]
Recent Price of Common Stock	44	87 [3]
Price Earnings Ratio	23.5	24.3
Indicated Current Dividend	$ 1.00	$ 1.00
Dividend Yield	2.2%	1.1%

1—Subsid. preferred stock. 3—New when-issued stock.
2—Adjusted for 2 for split 6/30/1960.

communications, and the Atlas base system. It is a major sub-contractor for the Army communications system, and cooperates in the operation of the important DEW line missile warning system, as well as the White Alice communications network for the Air Force. A new system of air navigation developed by I. T. & T. has received government approval.

This type of defense work, especially in the area of missile warning, has received great emphasis in the last year, and Congress has continually raised appropriations. Expenditures in this area are expected to continue at a high level at least for the next four or five years, and I. T. & T. will derive revenue from maintaining and operating the communications systems.

Other Products of Interest

The company's electronic know-how has enabled it to enter several large domestic markets with fully competitive products. For example, the First National City Bank recently installed bank automation equipment perfected by I. T. & T., and the Providence, R. I. Post Office is putting in the company's electronic sorting equipment. A highly efficient electronic airlines reservation system that has been adopted by Scandinavian Airlines and Air France has even greater possibilities in the United States, and this carries the company into the field of business data systems.

Management's continued willingness to spend freely on research activity has made entry into these fields possible. Many new products that are developed can be produced in areas where labor costs are 25 to 50 per cent below costs in the United States.

Earnings Have Stability

Since nearly one-half of total income is derived from telecommunications equipment, which has a steady and growing demand both here and abroad, earnings seem relatively free from excessively wide cyclical swings. The company is well established in its markets and, in the field of communications equipment it has a leading trade position in England, France, Germany, Italy, Spain, Belgium, Switzerland, Sweden, Norway, Finland, Denmark, Australia, Chile, Brazil and Peru. This diversification among so many countries reduces the company's overall risk of foreign investment. It would seem that revenues both here and abroad depend upon reasonably stable markets.

Recent Earnings Trends

International Telephone has shown a record of fairly consistent earnings gains over the last decade, and dividends have been increased periodically beginning with the first regular payment in 1951. On a per share basis earnings in 1959 rose only slightly to $1.87 from $1.81 in 1958, since the number of shares were increased to 15,529,830 from 14,726,436. Indications are that expansion in the next few years can be achieved without further equity financing, indicating that without dilution per share gains could be more significant in the years immediately ahead.

Earnings in the first three months of this year edged higher to 38 cents a share from 36 cents during the same period last year. Unfilled orders have shown a favorable trend this year, moving up to $565 million at March 31 from $551 million at the beginning of the year. The stock, selling in the mid forties, places a higher appraisal on earnings than was the case a few years ago. At about 22 times current earnings it is lower than most electronic issues which sell at 30—40—and 50 times earnings. The dividend of 25 cents quarterly provides only a modest yield of about 2.3%. While rather amply valued in the light of current uncertain world conditions, the stock should be held—and merits consideration on market setbacks.

Dynamic Motorola

Research accomplishments in the area of radio communication paved the way for Motorola's meteoric rise to its present dominant position.

This company, formed a quarter of a century ago on a modest scale as Galvin Manufacturing, has pursued communications development in a way considerably different from that followed by International Telephone. Motorola has concentrated on researching and manufacturing items used in communications other than telephone instruments. Beginning as a producer of radio receivers, primarily for automobiles and the home, the company has pioneered communications through the air.

Progress Begins With Walkie-Talkie

In its early years management stressed quality and dependability in its products and developed large outlets with principal motor car manufacturers in supplying radios and heaters (subsequently discontinued). At government request, research in radio led to perfection of "walkie-talkie" communications systems, which were used extensively during World War II.

Thus Motorola entered the post-war period as one of a number of suppliers of car radios and, with a superior but more expensive product, competition was severe and progress slow. When a new management took over, Motorola was a company that had

Long-Term Income Data

	International Tel. & Tel.						Motorola Inc.					
	Total Operating Revenue (Millions)	Deprec. & Amort. (Millions)	Net Income (Millions)	Net Profit Margin	Net Earnings Per Share	Cash Earnings Per Share	Net Sales (Millions)	Deprec. & Amort. (Millions)	Net Income (Millions)	Net Profit Margin	Net Earnings Per Share	Cash Earnings Per Share
1960 (1st Quarter)	$183.9	—	$5.8	3.1%	$ .38	—	$ 70.3	—	$3.0	4.3%	$ .76[1]	—
1959	765.6	$27.4	29.0	3.7	1.87	$3.63	289.5	$3.7	14.1	4.8	3.58[1]	$4.52[1]
1958	687.4	24.5	26.6	3.8	1.81	3.29	216.5	3.1	7.3	3.4	1.90	2.64
1957	638.6	23.0	22.4	3.5	1.56	2.92	226.3	2.8	7.8	3.4	2.02	2.69
1956	544.8	19.2	28.1	5.1	1.46	3.22	227.5	2.2	7.9	3.5	2.06	2.58
1955	489.7	17.9	23.0	4.7	1.61	2.85	226.6	1.8	8.4	3.7	2.19	2.61
1954	412.6	15.6	20.0	4.8	1.40	2.49	205.2	1.4	7.5	3.6	1.95	2.24
1953	397.3	14.6	22.3	5.6	1.56	2.58	217.9	1.1	7.0	3.2	1.83	2.07
1952	388.6	13.6	22.1	5.6	1.55	2.07	168.7	1.0	7.0	4.1	1.81	2.03
1951	288.5	12.4	17.9	6.5	1.30	2.19	135.2	.5	7.2	5.3	2.07	2.21
1950	246.7	12.4	15.5	6.3	1.14	2.03	177.1	.4	13.1	7.4	4.00	4.22
10 Year average	$485.9	$18.0	$22.6	4.9%	$1.53	$2.72	$209.0	$1.80	$8.7	4.24%	$2.34	$2.78

[1]—Adjusted for 2 for 1 split 6/30/1960.

been in the doldrums for several years. The decision to take up where the walkie-talkie left off led to the widespread sale of sending sets for police cars, which, for the most part, could receive but not send. Other extensive markets opened as the company developed microwave transmitters and receivers for industrial applications.

Mass production of "handie-talkie" pocket receivers and transmitters was achieved for the first time last year. Wireless paging products accounted for an unexpectedly substantial sales volume among hospitals, hotels, industrial plants and stores. This item, providing personal radio communications systems, represents a major step in miniaturization of two-way radio facilities, suggesting a huge potential market.

Two-Way Radio Listening—A decision of the Federal Communications Commission to open a "business radio service" band, making possible two-way radio licensing to virtually all commercial enterprises, greatly enlarged available applications by small business concerns. Large companies have accelerated distribution of statistical data for computer analysis by use of Motorola microwave installations. The potential in this area has been barely scratched. Railroads and radio-operated taxicab systems have come to depend on these modern communication systems to cut down operation costs. A modification of the principle is being used to control traffic through altering light signals to meet requirements of changing conditions.

Business Communications Systems—Also in the industrial communications field, Motorola has intensified its activities in closed-circuit television. Exploration of many possible applications for military use is being undertaken in the belief that enlargement of markets for TV equipment can be accomplished. These activities have contributed not only an element of romance and growth, but the prospect of substantially increased sales.

Space Exploration — and More Effective Nuclear Devices

In the expectation that greater and greater progress must be attained in electronics to support the government's program for exploring space and developing more effective nuclear weapons, Motorola has stepped up its research activities in solid state electronics at laboratories in Chicago, Arizona and California. It is recognized that successful development of equipment for improved missiles, satellites and space vehicles will depend largely on advancements in what is regarded as a new art providing functional units of minimum weight and low power consumption. Motorola's Phoenix solid state and semiconductor laboratories have developed interesting capabilities in all fields. This activity is regarded as the probable source of new ideas and new products to pave the way to new heights for the electronics industry in the coming generation.

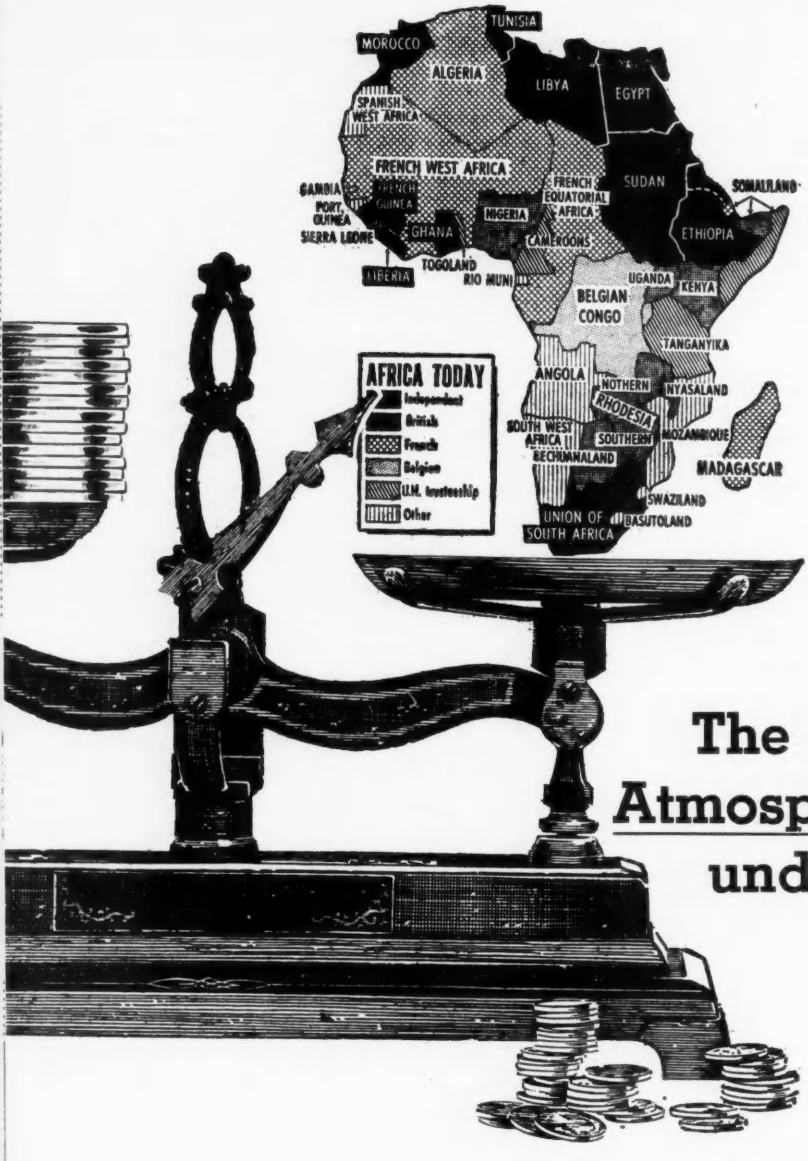
Semiconductors Now Important

Motorola is now recognized as a top supplier of power transistors and the ultra-precision Mesa transistor. The semiconductor line, now widely diversified, holds promise of contributing significantly to earnings. Technicians contend that the design, production and application of electronic equipment will undergo a transition in the coming decade with use of semiconductor devices. Many of Motorola's products already are equipped with the tiny transistor. Research holds the key to further miniaturization of radio-TV systems. Motorola is in the forefront in developing more effective and dependable transistors that will make possible tiny devices for use in better aircraft, missiles and rockets in the future.

Television and Radio—Consumer products with which the public generally is familiar require less space for discussion, although they bulk large in total sales. The company had its best year in 1959 in gaining acceptance for its television and radio sets. Achievement of outstanding improvement in phonograph sound reproduction enabled the company to gain headway in stereo-hi-fi instruments. TV unit sales rose some 35 per cent over 1958, a substantially better ratio than the industry as a whole. Leadership was maintained in the branded car radio business with sales reaching a new peak. Gains of 70 to 80 per cent were made in table and clock radio volume.

New T.V. Development

In consumer products the company has really made a name in television. Competing with larger manufacturing organizations that had been in electronics much longer, *(Please turn to page 341)*



The Investment Atmosphere in AFRICA under 22 different Currencies . . .

By JACK BAME

- ► **This authoritative and exclusive feature supplies the necessary background for corporate and investor interest in Africa under conditions of instability—and the adjustment from old to new currencies**
- ► **It takes up the conditions in the newly independent states—opportunities and hazards in each—and how American companies already located in these areas are likely to fare**

THE new Africa has emerged more rapidly towards self-rule than even the most fanciful observer would have dreamed of a few years ago.

As a result of the change-over, they have numerous problems to cope with, and in some instances they are stupendous, particularly since each one of these countries seems determined to set up its own monetary system while still in the throes of adjusting to the old.

Dr. Alphonse Castagno, in an article in the April 9th issue of this magazine, has brilliantly examined the general background and complex social, tribal, politico-economic and geographical factors shaping today's and tomorrow's Africa. **With that as a background—and a most necessary one—it is possible to appraise and perhaps to speculate as to the likely short term and longer term outlook for the 22 odd currencies that are likely to emerge, and what it means in terms of opportunities or hazards for investment in Africa.**

First Let's Define "Independence"

The latter word is not as simple as it seems. According to the usual dictionary meaning . . . "not

subordinate or subject to or *dependent for support upon* any other government ..." ... "uninfluenced by advice or assistance" ... "separate or disconnected" ... etc.

In the economic sense, especially currency-wise, the emerging states of the Continent can only have, at best, a restricted independence—for both public and private financial assistance must be provided from outside Africa. And in this period of strife and struggle they will have to look abroad for military and/or security aid as well. Thus, they will be obliged to maintain a balance between the foreign currencies for external transactions and the new domestic currency created for internal use.

In order to function in a workable manner, the currencies of these countries will have to continue to be substantially based on the monetary units of the countries with which they were directly affiliated before achieving self-government. Therefore, economic-political realism—in contrast to the social reaction against former ties—would inevitably call for the maintenance of strong or tenuous links to the economic strength of their former mother country, at this time, or to some new source of economic support.

In Table 1 herewith, a set-up that was effective as recently as August 1, 1959 indicates the over-all area division of monetary attachments in Africa.

TABLE 1

Currency Area Relationships

As of August 1, 1959

National Currency	% of Africa's Area	Population in '000's African	Population in '000's Total	% of Total Population
Tied to the French Franc	34.3%	39,005	40,516	18.8%
Tied to the Belgian Franc	8.1%	16,862	16,966	7.9%
Tied to £ Sterling	24.5%	76,765	80,731	37.5%
Tied to the Portuguese Escudo	6.9%	10,186	10,456	4.9%
Tied to the Spanish Peseta	0.4%	250	400	0.2%
Other currencies	25.8%	64,578	66,198	30.7%
Total		207,646	215,267	

Source: Metallgesellschaft, AG, Frankfurt/Main, Review No. 1—1959, "The Metal Industry in Africa," by Peter Ketzer.

(The growing Soviet sphere, however, now presents an alignment alternative to that of the Western powers which cannot be ignored in the formulation of free world policies and attitudes towards the new Africa.)

In the rapidly changing framework of African states, during 1960 alone, Cameroun, the Mali Federation (Senegal and West Soudan), Mauretania, Malagasy (formerly Madagascar), Dahomey, Tanganyika, Togoland, Somalia (formerly Italian trusteeship), Nigeria, and the Belgian Congo have or will have gained independence.

TABLE 2

African Currencies

End of April 1960

Country	Monetary Unit	Rate of U.S. Dollar Official	Rate of U.S. Dollar Free Market	% Dollar Premium
ALGERIA	New Franc	4.937	5.25	6.4%
ANGOLA	Angolar	28.90	33.00	14.2%
CONGO	Congo Franc	50.00	54.00	8.0%
EAST AFRICA [1]	Shilling	.14	.135	3.7%
ETHIOPIA	Eth. Dollar	2.48	2.65	7.0%
EGYPT [1]	Egypt Pound	2.87	2.00	43.5%
GHANA [1]	Ghana Pound	2.80	2.70	3.7%
GUINEA	Guinea Franc	246.85	450.00	82.2%
LIBERIA	Dollar	1.00	1.00	—
LIBYA [1]	Libya Pound	2.80	2.50	10.7%
MALAGASY REP.	Malagasy Franc	246.85	257.50	4.3%
MOZAMBIQUE	Escudo	28.90	33.00	14.2%
MOROCCO	Dirham	5.06	5.56	9.9%
RHODESIA [1]	Rhodesian Pound	2.80	2.70	3.7%
FRENCH SOMALILAND	Djibouti Franc	214.39	260.00	21.3%
ITAL. SOMALILAND	Somalo	7.14	7.28	2.0%
SPANISH AFRICA	Peseta	60.00	63.00	5.0%
UNION OF S. AFRICA [1]	South Afr. Pound	2.80	2.64	5.7%
S.W. AFRICA [1]	W. African Pound	2.80	2.70	3.7%
SUDAN [1]	Sudan Pound	2.87	2.25	27.5%
TUNISIA	Dinar	.420	.470	11.9%
W. AFRICA	C.F.A. Franc	246.85	263.00	6.5%

[1]—Quotation in $ per pound.

Source: Pick's World Currency Report, May 1960.

Already 22 New Currencies Have Emerged

At the end of April 1960, there were at least 22 different monetary units in Africa, among which only Guinea had chosen the path of complete currency isolation from her former (French) control. One month after that decision, the unofficial Dollar premium for new internal Guinea Francs jumped to over 80%, far and away the largest discount on any African monetary unit, as is readily evident from Table 2.

► **THE CASE OF GUINEA** exemplifies the multifold economic and political consequences of a hasty and perhaps irrational move towards currency "independence". This former French territory was the only one which chose to be completely independent rather than associate with France, under a 1958 alternative presented by the latter. Therefore, future French aid seemed to

be rather automatically cut off and Guinea went looking elsewhere for a new source of aid.

It is significant that a few weeks *before* the independent nation's creation of a new Guinea Franc, a Soviet delegation in the capital city of Conakry, signed a 1960-1963 treaty of friendship and technical aid.

The U.S.S.R. provided about $35 million in initial credits. Some leading items in the Soviet agreement:—a construction of a polytechnic institute in Conakry—the setting up of a number of factories and administrative centers—rebuilding of the Conakry airport—a Soviet geological survey of the country—development of rice-growing areas—supplying of agricultural and industrial machinery—and the eventual construction of a railway from Conakry to Mamo.

Just before the issue of the new currency and the break with France, Guinea recognized East Germany and North Viet Nam diplomatically. The fresh banknotes were reported to have been printed in Czechoslovakia.

Red China Makes Hay

Guinea's external trade already shows about two-fifths of her exports going to Soviet bloc countries, while more than 1/4 of her imports come from that area. In addition, Red Chinese experts there were attempting to "sell" the Commune System of farming, in return for which Peiping would buy much of Guinea's export produce. At the same time, Red China's trade influence in Africa would be markedly increased. Unofficial dealings in new Guinea currency at substantial discounts took place, mostly in Sterling and Dollars, as well as in bank balances in such centers as Dakar.

Alarming Effect on Foreign Capital Investment

The effect on **foreign investments** was disquieting, to say the least. The Fria Alumina plant complex accounts for about $130 million of U.S., French, British and German investments, of which ***Olin Mathieson Chemical Corp.*** owns about $62.5 million. ***As dollars will have to be paid to Guinea now, rather than French francs, the future is rather uncertain. But the U.S. company has reported that Guinea has thus far lived up to every agreement which it has made. Another aluminum project — the Boke — involves Alcoa, Reynolds, Kaiser, Olin Mathieson and French interests. Many French enterprises have already closed down.***

American investments may still have some good long-term potential, but the immediate outlook in unfavorably affected by political considerations, which should be recognized realistically in any projection of profit possibilities.

►**THE BELGIAN CONGO** situation is a completely different one but has been altered by the unexpected accelerated drive towards independence, to be attained on June 30, 1960 . . . an independence which itself will be shaky, due to the separatist nature of Congo tribal conditions.

For the past few months, private capital has been in flight from the Congo back to Belgium at the rate of about $20 million per month despite tightened official restrictions on such transfers.

In contrast, the Belgian National Bank is providing Belgian francs to bolster the Congo franc, presently under heavy negative pressures. The latter unit, in the beginning of April, was offered at 90% of its official value in Brussels and was the object of strict controls in Leopoldville.

The following were among the recently instituted exchange regulations: ►Belgians are required to remit proceeds in Belgian francs to the Congo when making purchases from that area, rather than from accumulated local currency balances there; ►Congo exchange control authorities have enforced strict credit, collection and exchange regulations with neighboring Rhodesia, Ruanda-Urundi and Uganda, to stop the outflow of currency from the Congo; ►for the same reason, Congo francs are not accepted for reimbursement in the currency of the East African High Commission.

On the investment side, the shares of the Union Minère du Haut Katanga, the large producer of uranium, cobalt and other metals, are down 75% from their peak value of 5 years ago. Among other leading enterprises troubled by the new situation are the Compagnie Maritime Belge, Forescom (plywood, saw-mills, etc.) and the huge Minière du Beceka, in the diamond industry.

The Congo has thus far been the subject of a brand of colonialism peculiar to the Belgians, who have followed a generally enlightened policy toward the native population economically, although maintaining rigid control over financial and investment operations and political life. The issue of independence is an especially complicated one here, because of the complete Belgian influence in Congo mining and trading companies and the required support of the Belgian National Bank.

About $60 million in Congo bond flotations in New York have been guaranteed by Belgium. Present conferences are considering native demands for African directors on company boards, as the Congo government will become the major shareholder in many enterprises after independence is achieved. Under existing arrangements, it will automatically obtain up to $600 million in Congolese company stock issued to the Congo government to get the original Belgian concessions. Voting control will often go along with this transfer. Belgium has proposed a Belgian-Congolese development company with the two governments as joint shareholders. Belgium would pay cash for its share, the Congo would exchange its aforementioned stock for shares in the new company. While no decisions have been made as yet, some Congo circles have already charged that some of the area's leaders have been or are being "bought" by such Brussels interests as the Societe Generale, Groupe Empain, and Brufina, which control much of the Congo economy.

Independence, therefore, is still very much a relative concept in the Belgian Congo — and the uncertainty of local politics and basic and deep tribal divisions, which could lead to really serious wars within the Congo, make any future projections just about impossible to intelligently formulate at this time.

Investments and Outlook in Other Selected Areas

► In West Africa, **NIGERIA**, the largest, most thickly populated and in many ways the most important British colonial territory, is scheduled for independence on October 1, 1960. The country is fortunate to have a rather diversified resource structure, although the economy itself is as yet *not* highly

diversified. American private investments are relatively small, with a major portion involved in petroleum distribution. The following are among the leading U. S. companies in Nigeria: **Farrell Lines Inc.** and **Mississippi Shipping Co.,** both in steamship service; **Standard Oil (N.J.), Mobil Overseas Oil Co.,** and the **Texas Co.,** all in sales and distribution of petroleum products and some exploration activities; **United Fruit Co.,** in banana production and marketing; **Goodyear Int'l.,** in rubber product sales and distribution; **Pan American World Airways; Singer Sewing Machine Co.,** and **Kennecott Copper,** with a 52% investment in tin and columbite properties.

A $4.2 million textile mill is planned for 1961, near Lagos. The capital will be provided by a group including Arcturus Investment and Development (subsidiary of Chase Manhattan), Swiss and Italian interests and the Western Nigeria Development Corp. The new mill will use Nigerian cotton. The Nigerian government has also invited a U. S. firm to set up a flour mill, with investment of over $5.6 million. There will be opportunities for Nigerian participation.

Nigeria has *favorably regarded* American private investments and evidently still does. The most promising areas for investment are, at present, those with long term prospects which involve initially high capital expenditures.

Agriculture presents a wide field, as rubber, cocoa, sugar, castor, and other export crops offer areas of opportunity for research and crop cultivation. In addition, there are sizeable tea, coffee, and timber resources. **Small-scale operations in manufacturing** present another sensible area for investment, as internal demand for consumer products will grow with independence and educational progress. **Mining operations** would involve badly needed surveys and technical mineral research. Due to the lack of any present world shortage of many minerals, no really prosperous future seems to lie in this area, except, perhaps, if new oil is discovered. Any marked increase in demand for minerals is likely to be internal, accompanying general development.

Nigeria could be listed among the more favorable of the African nations for long term investment—again within the limitations imposed by strong tribal and other problems outside the economic sphere and with no real possibilities of any short-term financial "killings". The recent announcement that Nigeria will be admitted to the Commonwealth when it becomes independent, and that the Commonwealth will sponsor her membership in the U.N., represents a most constructive development.

► **GHANA,** like Nigeria in the western part of the continent, should be mentioned here. The new Republic, which is faring rather well, propped by her cocoa exports and proceeding with the $280 million Volta River hydroelectric project, has taken preliminary steps for an eventual federation with Guinea.

The country's leader, Dr. Nkrumah, envisages a United States of Africa ideal. But even the federation with Guinea has been stalled, mainly by currency problems. Ghana froze French assets there after the February atomic blast in the Sahara, but subsequently freed them.

Legislation concerning foreign investment is favorable. A 5 year tax holiday is generally being granted to foreign concerns, and can be extended until a company has recovered its initial investment. Many restrictions on Dollar area imports were removed in March 1960.

Under Ghana's Development Plan, the government wants some 600 factories producing a range of over 100 products. U.S. investors are being sought in this connection. The British Unilever group is investing more than $8,400,000 in industrial projects over the next three years, either directly or through its subsidiary, United Africa Co. Among leading undertakings will be a new motor assemby plant, a plywood mill, and soap factory. Together with Dutch interests, a $3,500,000 brewery is to be built. Soviet bloc influence is already represented by an East German news station. Total U.S. investments are presently estimated at about $750,000.

Ghana's currency is relatively strong, listed at a free market $2.70 vs. the official rate of $2.80. Although the economy is not sufficiently diversified, cocoa, diamond, gold, timber and other exports form a strong base for expansion and development.

RHODESIA, in the Southern part of Africa, has most foreign investments directed towards the extractive metal industries. **In an effort to attract more overseas funds, the country, on August 8, 1959, removed exchange restrictions on foreign capital invested in the Federation of Rhodesia and Nyasaland, and freed repatriation of profits on investments.**

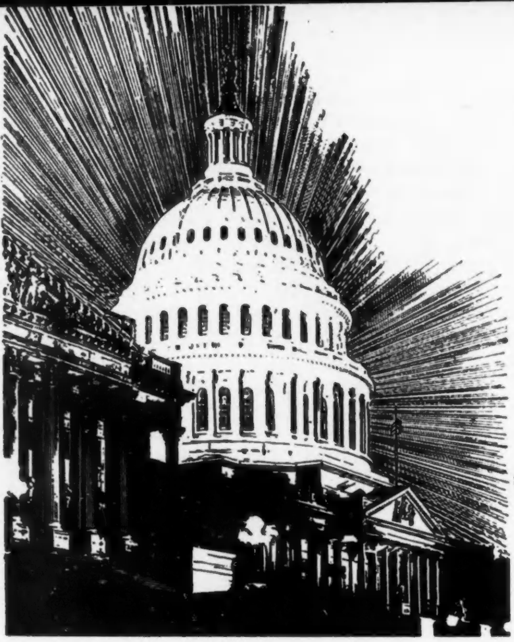
Among leading investors, **American Metal Climax Inc.** has substantial interests, owing 50.6% of the huge holding company, **Rhodesian Selection Trust, Ltd.,** itself with widespread holdings and consolidated net earnings, in 1959, of $8,780,000. The group produces about 6.5% of free world copper output. Dividends from these Rhodesian Companies were up 90% in 1959, over 1958, but are not very likely to continue this degree of success in the coming year.

The **Selection Trust** group has an approximate 64% interest in the **Mulfira Copper Mines, Ltd.,** and the same percentage in **Chibulma Mines, Ltd.** In addition, the trust has about a 33% interest of over $50 million in the **Roan Antelope Copper Mines, Ltd.** American metal climax also holds a 21.5% interest in **Bikita Minerals, Ltd.,** which mines lithium ore.

During 1959, consumer production in the Federation, ► such as textiles, drink, tobacco, clothing, etc. showed good gains. ► Retail sales in main cities were good and consumer credit is developed in the monetary sectors of the country. ► Rail facilities are adequate, electric power is being developed. ► During the past year, motor vehicle assembly plants, hosiery and paint manufacturing plants were developed. More foreign capital is needed.

The Federation listed the best trade balance in its history in 1959, and several British, French and Japanese interests are planning large industrial enterprises. But recent strikes, unrest and riots in the area have depressed investor confidence to the point where a Rhodesian loan issued in London in February 1959 at 99, sold at 88 a few weeks ago.

Social and political factors might lead to a breaking up of the Federation, with Nyasaland and Northern Rhodesia joining Kenya and others in an East African federation, while Southern Rhodesia aligns with South *(Please turn to page 339)*



Inside Washington

By "VERITAS"

SUMMIT collapse, although distressing to Democrats and Republicans alike, has brought the shallow political snipers into the arena. It will take some weeks yet to appraise results, but it can be unequivocally stated that the "Party of the Opposition" is solidly back of the President in his refusal to apologize to the Russian dictator, even though there is bi-partisan opinion that the Administration (through a yet unnamed press relations officer) displayed marked stupidity in its original announcement that a weather reconnaisance plane had run out of oxygen "and may have drifted across the Russian frontier" when the issuing officer had positive knowledge the offending U-2 had been forced down by the Soviet Air Force. Exception to the Demo-GOP solidarity is Adlai Stevenson seconded by Mrs. Eleanor Roosevelt, who, on May 19, at a Democratic fund-raising dinner in Chicago, blasted the Administration for giving Khrushchev "a crowbar and sledge hammer with which to wreck the conference".

WASHINGTON SEES:

Nelson Rockefeller is coming to the fore in a big way. As Governor of the State of New York he is taking leadership on important public issues in a manner that is very impressive.

He has made a considerable contribution to constructive thinking by calling attention to the need for solidarity between the Republicans and the Democrats on the issue of the failure of the summit conference.

This suggestion comes at a propitious time — just as Foreign Minister Gromyko is pressing his charges against our country in the United Nations, taking advantage of a presidential year in which he hopes for Democratic recriminations to support and strengthen his hand.

Yet Governor Rockefeller recognizes that the bungling in the press on the U-2 incident is a serious matter. And, most tactfully, he expressed the hope that the Democratic party will not engage in "any shallow partisan effort and assign all error to its adversaries, all wisdom to itself."

He equally and no less fervently admonished the Republicans not to try to cover up the situation for equally partisan reasons.

This statesmanlike response to the shallow criticism since the collapse of the summit talks, bespeaks the stature that Nelson Rockefeller has achieved since he became Governor. While Nixon may already have enough votes for the nomination, Rockefeller cannot be counted out.

HERTER'S statement to the North Atlantic Treaty Organization (NATO) that espionage flights over Russia have been undertaken for the past four years meets raised eyebrows here. It is simply not believed (1) That Russia is minus the radar equipment to detect the flights, or (2) that they would have permitted them to continue. It is thought, however, that the Herter statement will serve to put a brake on any Russian plans to launch a surprise attack lest the United States be really fully apprised of Red military installations, hence in a position to make "massive retaliation" more massive than the Soviet expected.

VETO power of the President is still firm. This became evident when his negation of the $251 million bill for economic aid to so-called depressed areas was not promptly challenged by Congress. Instead, it went to a Committee which was charged to rewrite the measure more in conformity with the President's view, originally a revolving fund of $53 million. Congress, by now, has probably hiked the $53 million, but fact remains that the President's "No!" carries weight on Capitol Hill. Yet to come, is his rejection of Federal aid-to-education, and other "spendocrat" measures.

QUOTE: "The people justly view with alarm the reckless extravagance which pervades every department of the Federal government . . . A return to rigid economy and accountability is indispensable to arrest the systematic plunder of the public Treasury by favored partisans." Abraham Lincoln, 1860.

As We Go To Press

Presidential Primaries Add Up to a Goose Egg. This is the considered opinion of Washington "insiders" who are close to Democratic inner councils. They privately declare that the primary showings of Senator John F. Kennedy, of Massachusetts "amount to just nothing at all." In support of this they point to the fact that Senator Estes Kefauver went to the 1956 convention with 14 State primary victories under his belt, but was almost nosed out for No. 2 spot by the present front-runner Kennedy.

In the meanwhile, say the Democratic "pros", international events, especially collapse of the Paris Summit meet, have conspired to completely push Kennedy out of the nomination picture. Against him is his youth and his lack of real experience in foreign affairs and relations. The Democratic nomination will not really come from the convention floor, but will be made in one of the infamous "smoke filled rooms" where, because of the backing of House Speaker Sam Rayburn and the support of former President Harry S. Truman, either Sen. Lyndon B. Johnson of Texas or Sen. Stuart Symington of Missouri, will be the final choice — barring a deadlock which would throw the nomination to Adlai E. Stevenson, already a two-time loser.

Air Defense Alert as Summit Conference Opened is Generally Condemned in Washington. Widespread official opinion is that timing was clumsy; that it could have added more fuel to the Krushchev assault on the intentions of this country. Why, it is asked, can't these alerts be of periodic timing without any consideration of immediately current international tensions? Also, it is believed they could be of greater frequency. This last one was the first "in several months" according to top Pentagon sources.

Treasury Borrowing Faces New Threat. Savings and Loan (including building) Associations propose to pay higher returns on long-term, lump-sum savings accounts than on regular savings accounts, now bearing 4% annually (compounded quarterly) in most areas, versus the Savings Bond rate of 3¾%. The associations have asked Federal Home Loan Bank Board for authority to issue "term savings accounts" in multiples of $1,000 at interest rates ¼ of 1% to ½ of 1% higher than paid on conventional accounts for deposits of three years or longer. Proposal has to meet approval of the Federal Home Loan Bank Board which may bow to an eventual request of Treasury that it be disapproved lest Government's small-saver market be severely reduced.

Chester Bowles Boomlet for Presidency is less than that. He would, of course, be in the Democratic column, already pre-empted by nearly half-dozen candidates, only two of whom (Sen. Lyndon B. Johnson of Texas, and Sen. Stuart Symington of Missouri) have any real "smoke-filled-room" backing for the nomination.

Compulsory Air Line Mergers Coming? The answer may be in the affirmative as the Civil Aeronautics Board, in cooperation with Department of Justice, surveys costly, and often wasteful, duplication — even quadruplication — of services over identical routes. The study, promoted by multi-million dollar mortgage difficulties of one major line in high competition with others over the same routes, will not be completed for some several months. In the meanwhile, proposed mergers of certain rail lines for reasons of economy and elimination of wasteful duplication of services, has the Interstate Commerce Commission as well as Antitrust Division of Justice Department "burning midnight oil."

Cabinet Picking Gets Under Way. Although neither Party has named a Presidential candidate, one of Washington's lesser political "sports," the picking of the next President's Cabinet, has started in a mild sort of way. If Mr. Nixon is elected, say

the political wiseacres, he will "ditch" the entire Eisenhower Cabinet with the possible exception of Postmaster General Summerfield. Also, there is belief that he may turn to State Secretary Herter to continue in his present post. There is some belief that Mr. Nixon has already promised to retain Summerfield, in return for the Postmaster General's help in the campaign.

For the Democratic Cabinet — provided Sen. Kennedy is the successful candidate — the pundits are unanimous in the belief that Franklin D. Roosevelt, Jr., will get the Navy portfolio, while there is strong feeling that Sen. Stuart Symington will be tendered Defense Secretaryship. Many feel that Adlai E. Stevenson would be a "likely" choice for Secretary of State. Thus far there is no speculation on possible Cabinet choices of other Democratic hopefuls, with one exception — former President Harry S. Truman as Secretary of State in the event of a Symington win.

Insured Unemployment to Continue Decline. This is the strong view of Departments of Labor and Commerce, both of which admit the drops will not be "sensational." Bountiful Spring and Summer fresh fruit and vegetable crops will account for much of the decline as canneries, frozen food processing plants and resultant demands for increased inter-city trucking services mount.

Summit "Blow-Up" Registers One Gain for the U. S. This according to many, both within and without the Administration, and of both Political Parties. It has, they say, awakened responsible people — as well as the man in the street — to fact that International Communism, as directed by the Kremlin, has no sincere intent of peaceful co-existence, and never had such intent. In brief, it has dispelled the perhaps dangerous complacency which followed the Eisenhower-Khrushchev Camp David conversations.

Elsewhere (primarily Capitol Hill), it will doubtless serve to give the President the $4.175 billion he has asked for foreign aid, and probably with not too many "strings attached" unless they be that he step up military aid, reduce economic assistance. House Appropriations Committee Chairman has boasted that he will cut the President's request by as much as $1 billion, even $2 billion, but Senate will not now "go along," will restore any cuts by House and prevail when the differing measures go to conference.

Cost of Expansion Worries Commerce Department. Hoping for continuing high capital spending during the coming year, but perhaps slightly under this year's level, the Department has been "jolted" by a recent revelation that capital expansions have totted up to more than $5,500 an hour since 1946 for one major industry — an industry which has lower expansion costs than many of the others. In 14 years, the reporting industry spent over $674 million on the basis of a capitalization of considerably less than $1 billion. Labor costs were primarily responsible although materials costs contributed.

Likely Aftermath of U-2 Incident. Senate Majority Leader Lyndon B. Johnson has already announced support of a "crash" observation satellite program to replace the spy plane flights over the Soviet Union. That a program of this sort could be fruitful in less than two to three years is doubted by space experts in Washington. In the meantime, there is growing belief that we should concentrate on high-speed, high-altitude bombers. Supporting this argument is fact that Russkies were four years in detecting the U-2 flights over their terrain. Belief grows that Russians had no positive knowledge of the flights until some mishap — engine failure or oxygen failure — brought the U-2 down to a level where it could actually be sighted.

It is still not believed that a rocket was responsible for the U-2's crash. However, it is not likely we will ever know the real cause. It is notable that the Reds have kept the pilot incommunicado, have refused our Embassy access to him, lest he reveal the truth of his mishap — truth that will be contrary to the Khrushchev claim that he was brought down by a rocket; an utterly fantastic claim, according to our own experts in rocketry. In the meanwhile, it is going to be totally impossible to keep the incident out of partisan politics with opponents of the Administration playing up the Administration's mistakes in handling the U-2 plane incident.

Of significance to stockholders...

The Revealing Record of "INSIDER" TRANSACTIONS SINCE THE FIRST OF THE YEAR

By ROBERT B. SHAW

► **Covering transactions by officers in the oils — steels — automotives — and individual companies in various industries**
► **Where Mergenthaler Linotype purchase of Electric Autolite shares now totals up to 29% control**

INSIDER sales, which leaped to a peak level last November, have remained on a relatively high plateau during the first quarter of the present year. Purchases, on the other hand, have held more nearly steady for a number of months, disregarding only the sharp decline in October, 1959. Comparison of insider transactions for the most recent months with last year's trends has been obscured by the introduction of 100 additional companies into the index, but the ratio of sales to purchases, at 3.3 in both February and March, is clearly on the high side. The contrast would be more pronounced if heavy special purchases in just two companies were excluded. Otherwise, most of the purchases were widely scattered, while substantial sales have appeared in a number of issues. Past experience suggests a high degree of caution in reading any meaning from insider transactions, but the results just noted clearly indicate a preference for liquidity on the part of many corporate officers and directors.

Background on Insider Transactions

Insider transactions, for the present purpose, are defined as dealings in the stock of their own companies by officers, directors and holders of more than 10% of any equity issue. To prevent the shameful manipulations that occasionally occurred back in the free-wheeling '20's the Securities Exchange Commission now requires that all such insider dealings in listed issues be reported to it, and these are published monthly in that agency's "Official Summary". Thus, corporate executives no longer enjoy the cloak of anonymity in their inside transactions but must operate in a goldfish bowl, for all the world to observe.

But these executives and directors are required to report only their transactions, nothing more. Their motives remain their own business. And these may not always be directly related to prospects for the companies involved. Insider stockholders may be obliged to lighten their holdings to

diversify, to settle estates, to pay taxes, just as the rest of us; they may similarly build up holdings merely to solidify control. Nevertheless, it seems reasonable to infer that most transactions are related, at least in respect to their timing, to indicated earnings and market trends. Thus they should provide, at the least, an interesting guide to the outside stockholder.

Difficulties in Appraisal

But for various reasons a merely casual inspection of any issue of the SEC's "Official Summary" is not likely to be helpful. First of all, the reports, even when filed promptly, are long delayed before publication. Then, true purchases must be distinguished from bonus awards or the exercise of options. Distortions are sometimes introduced by huge isolated transactions, such as an unloading of Ford stock by the Ford Foundation. Finally, the raw data published by the SEC requires some systematic complication before it carries any meaning.

To meet this final problem the Magazine of Wall Street, in this series of articles, has utilized an index of leading manufacturing companies. Initially this index was composed of 100 issues, but because this seemed rather narrow coverage has been expanded in the present article, and computed retroactively back through December, for 200 companies. This broader sample will also reduce the effect of distortions that may arise from exceptionally large individual transactions. The 200 companies used, from which railroads, utilities, banks and retail stores are excluded, are generally the country's largest industrials in terms of current sales volume, although a few that would qualify by size are omitted because of limited investor interest. It would take unnecessary space to print the entire index, but the first five and last five on the list are Abbott Laboratories, ACF Industries, Addressograph, Air Reduction, Allegheny Ludlum, Westinghouse Electric, Weyerhaeuser, Wheeling Steel, White Motors and Youngstown Sheet & Tube.

Recent Trends

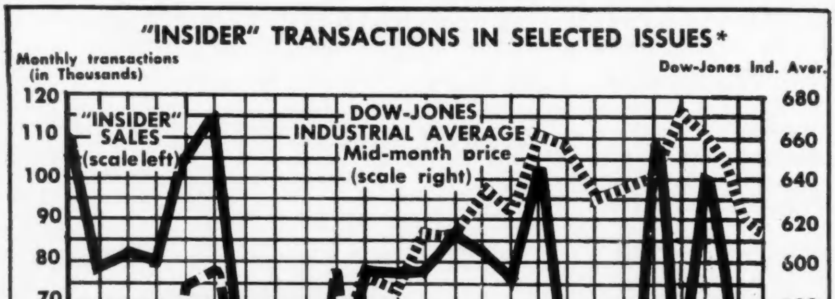
As pointed out in the last article (MWS, April 9) insider sales jumped in November, on the old index of 100 companies, to 109,570 shares. In December they fell to 52,000 shares on the same index, or 131,440 shares on the new "200" index. This increased to 202,450 shares sold in January. February sales of 114,890 shares and 139,680 in March showed a definite slackening of liquidating pressure, and yet the tendency of insiders to unload remained unmistakably stronger than in the August to October period.

February and March sales were also probably heavier than those prevailing from January to June of last year, although the change in the index blurs the comparison. It must be recalled that the 100 new companies added to the revised sample are much smaller than the initial 100; Joy Manufacturing has nowhere nearly as many shares outstanding, nor as many vice-presidents as General Motors. The two indexes cannot, therefore, be integrated simply by doubling transactions on the older list. This means that 140,000 shares sold on the new index indicates considerably heavier selling pressure than 70,000 on the old.

The same remark is true, of course, of purchases, which, on this basis, have accelerated in the March quarter over last year's September to November level. An adjustment should probably be made, however, for a few isolated transactions.

► **In January 14,900 shares of Electric Autolite, in February 800 shares and in March 5700 shares were purchased by Mergenthaler Linotype which, at the end of the latter period, held a total of 400,350 shares, or 29% of Autolite's stock.**

Also, a holding corporation controlled by Robert Fairburn, president, acquired 10,200 shares of Diamond National (formerly Diamond Match) in February and 15,400 shares in March. If these acquisitions only were to be excluded, then purchases for January, February and March would be reduced to 23,370; 23,610; and 21,720 shares respectively. With the exception only of September and October last year (when sales were also at a sharply reduced level) these are as low or lower than insider purchases even for the 100 companies for every month as far back as the spring of 1958. *What looks more significant is the exceptionally high ratio of sales to purchases, 6.4 times in March,*



* Stock transactions by Officers, Directors and Principal Stockholders. Up to December, 1959, the figures are for the 100 Largest Industrial Companies. Also since December, 1959, the overlapping lines show data covering 200 companies, the figures from Dec., 1959 to date being divided by 2 in each case, to make for great comparability with the earlier data.

which this adjusted basis shows. Certainly these results indicate a slackening of buying interest on the part of corporate insiders during the March quarter.

Little Sign of Turn in Oils

Now let's turn from the general to the particular, the examination of reports for industries and individual companies. While a few substantial insider purchases of oil shares were to be noted during the first quarter, the long-prevailing selling trend has not been reversed. During February 1200 shares of **Atlantic Refining** were unloaded by one officer. In January 500 shares of **Continental Oil** were sold and in March 1400 shares; the latter transaction was carried out by Mr. Ira H. Cram, Chairman of the Executive Committee, bringing his total sales since December, 1957 to 11,100 shares. Management reduced its position in **Standard Oil (N.J.)** by 1200 shares in February, although there were small offsetting purchases. In a closely allied industry, **Dresser** showed sales of 1000 shares in January and again in February, both by its chairman, Mr. H. N. Mallon.

But the signs in the industry were not entirely negative. Two officers of **Sunray Mid-Continent** bought 4,000 shares in February and a director of **Shell** increased his holdings by 2000 shares in March. Acquisitions of 1000 shares each were also reported by an officer and a director of **Gulf Oil** for March. For the remaining companies either no, or negligible transactions were listed. *Aggregate purchases in February and March did exceed sales, and while no great emphasis can be attached to these results in the absence of evidence from a larger number of companies the suggestion may be that the worst has been seen for the severely depressed oils.*

Substantial Insider Net Sales *

1st Quarter, 1960

	Shares sold
Ampex	274,490†
Brunswick	54,100
Douglas Aircraft	9,870
General Electric	10,190
General Mills	9,230
Goodyear	17,580
Litton Industries	16,090
Minnesota Mining	15,800
Philco	13,850
Reynolds Metals	6,100
Schenley Ind.	11,900
Stubebaker	5,170
Texas Instruments	17,480
Thiokol	14,500
U. S. Steel	8,400
Varian Assoc.	9,870

*—Net sales are total sales minus purchases for the same period.
†—Includes 195,000 shares sold privately.

Steel Selling Trend Continues

Among the steels most of the companies showed negligible activity, either on the selling or buying side, during the first quarter of the present year. The conspicuous exception was **U. S. Steel,** for which insiders sold 4350 shares in January, 1550 in February and 2500 in March. This continues an uninterrupted insider selling trend that has now persisted for many months; since January, 1959 a total of 36,520 management shares have now been divested, with only 1300 offsetting shares purchased within the same period.

Lesser activity was reported for **Allegheny Ludlum,** for which 1000 shares were sold in January and 5400, by three different officers, in March; and by **Republic,** with 1220 shares sold in January and 600 in February. On the other hand, insiders purchased 1500 shares of **Granite City** in February. The absence of more positive confirmation of the bearish trend for U. S. Steel in transactions among other members of the industry can be regarded as heartening, and yet the results reported for as prominent a leader as U. S. Steel must be given considerable weight. These would suggest that executives still see many difficult problems standing in the steel makers' path.

Automotive Selling Predominates

Among the Big 3 in the automobile industry only **Ford** has shown a sustained selling trend, with 1000 shares unloaded by insiders in January; 1850 in February and 2580 in March; these should probably not be given very much significance for a company as large as Ford. The sale of 2130 shares of **General Motors** in January, representing largely the liquidation of the company's generous year-end stock bonuses, has not been extended in the two succeeding months. Since the sale of 5000 management shares of **Chrysler** last November, this organization has had only a single insider purchase of 100 shares to report.

Some of the secondary companies and suppliers, however, indicate a rather clear predominance of selling pressure. 14,280 shares of **Goodyear,** mostly by Director E. J. Thomas, were sold in January, and a further 3000 shares in February. Directors of **General Tire** divested 1400 shares in January and 1800 more in March. **Bendix Corporation** showed sales of 2100 shares in January and 1250 in February, although this trend was broken by a purchase of 400 shares in March. A director of **Clark Equipment** eliminated 3000 shares in February.

No management activity has taken place in **American Motors** since January, when President Romney sold 10,000 shares. However, **Studebaker** directors lightened their holdings to the extent of 640 shares in January and 4530 in February, to which further sales of 1180 shares of the convertible preferred in March should perhaps be added. Other evidence has already indicated that Studebaker is not faring too well in the battle of the compacts. **Mack Truck,** already sold heavily by its insiders in December, extended the same trend with reductions of 4060 shares in January, 500 in February and 400 in March.

To be sure, there were a few contrary signs. Director G. A. Freeman of **Borg-Warner** picked up 600 shares in January and **Thompson Ramo Wooldridge,** now more an aircraft company, showed a balance of insider purchases in February and March. The substantial acquisitions of Electric Autolite shares by Mergenthaler Linotype have been commented upon. On balance, however, insider transactions in the automotive industry during the March quarter

indicate at least a mild skepticism as to its early earnings prospects.

Other Insider Liquidations

In the drug industry some insider selling pressure has been visible in **Abbott Laboratories** and **Merck.** 2080 shares of the former company were sold from a trust controlled by President George R. Caine in January, but subsequent sales eased off in February and March. Heavy liquidation of 3700 shares of Merck in February and 4000 shares in March were made by the Rosengarten estate, but these may, of course, reflect compulsory action. The absence of any similar activity affecting **Pfizer** and **Schering** keeps the transactions noted from adding up to any industry-wide trend. Aside from a management reduction of 5950 shares of **Monsanto Chemical** in January—following the distribution of some hefty stock bonuses—no substantial insider liquidation among the chemicals has been reported.

Aircrafts After the Summit Fiasco

The extended management sales of the aircraft manufacturing stocks has been discussed previously in these articles. The most recent period covered in the present issue, March, was, of course, long in advance of the recent blow-up of the Summit Conference, which has given a fillip to all defense industries. But through March, at least, no signs of a reversal of the disfavor of the aircraft industry with its own executives were in sight. On the contrary, a further 2500 shares of **Curtiss-Wright** were sold in March, 1000 **General Dynamics** in the same month, and 1870 shares of **Douglas** in February and a substantial 8000 shares in March, the latter sale reducing the remaining holdings of Senior Vice President Arthur E. Raymond to just 1000 shares. The only minor contrary evidence was a management purchase of 410 shares of **United Aircraft** in March. No transactions of either character occurred in **Boeing, Lockheed** or **Martin.**

Miscellaneous

Some tendency for management liquidation of **Corn Products** and **General Mills** was pointed out in the preceding article. These sales continued in relatively heavy volume during the first quarter of the present year. During March several directors of **Coca-Cola** also got rid of 8850 shares. This trend was not generally confirmed by other food companies, although isolated sales of 2000 **National Biscuit** occurred in January and 1000 shares of **Standard Brands** in the following month. In a somewhat different area of consumption **Schenley Industries** has been hit by heavy insider sales: 6000 shares in January, 900 in February and 5000 shares in March.

In March, 60,000 shares of **Burroughs Corp.** were sold by a trust controlled by George L. Todd, a director. This was the only management transaction in the stock, so far this year. A previously noted trend of insider liquidation in **Burlington Industries** has also continued this year.

Sales Among Market Favorites

Some of the eminent growth companies of the recent past have also been caught up in the management selling trend. 28,100 shares of **Brunswick Corporation** were unloaded in January, 23,100 shares in February and 2900 in March; these sales were carried out by a fairly large number of officers although the heaviest single liquidation, 16,000 shares, was effected by Vice President Howard F. Baer. (This trend found no confirmation, however, on the part of competitor **American Machine & Foundry,** where the only simultaneous transaction reported was the purchase of 2120 shares in March.) Executive holdings of **Minnesota Mining & Manufacturing,** which has recently demonstrated a strong contra-market trend, were also pared to the extent of 15,800 shares, distributed through the three-month period covered. **Minneapolis-Honeywell** was likewise sold consistently during this quarter. In an accelerating movement insider sales of 1150 shares of **General Electric** showed up in January (offset by 1,000 shares purchased in the same month), 3760 in February and 5280 in March. Among companies not included in the index, heavy insider sales of **Texas Instruments, Ampex** and **Thiokol** also took place during the March quarter.

No Consistent Purchase Patterns

During the quarter there have been, of course, some offsetting purchases; certain of these transactions have already been pointed out. Further substantial insider acquisitions, all in March, include 725 shares of **Beatrice Foods;** 500 **Combustion Engineering,** the initial purchase of new director William H. Draper; 500 shares of **Crane,** likewise a first purchase, by Vice President Theodore Focke who just came to that company through its recent merger with National-U. S. Radiator; 1000 shares of **Raytheon** by Vice President Richard Krafve; and a heavy addition of 5500 shares of **Tennessee Corporation** by a director. Most of these transactions, however, were isolated, being confirmed neither by common action on the part of several officers nor by trends extending over a period of several months. And it was impossible to detect any industry-wide purchasing trends. Some risk exists in attempting to explore the motives for insider transactions rather than merely letting the figures speak for themselves, but it looks like a number of the recent purchases reflected special circumstances other than ordinary investment judgment.

Conclusion

The utility of observation of insider transactions is considerably limited, it must be admitted, first of all by the tardiness with which this data is reported, and then with difficulties in compiling and interpreting it. The latter task this Magazine is attempting to perform in these articles, and it is hoped that longer experience with the expanded index of 200 companies will provide a somewhat better guide than heretofore.

While caution must be exercised in drawing conclusions from the study of insider transactions, and other motives than profits alone may enter the picture, experience has clearly shown that sustained periods of heavy insider selling presage difficulties for the companies involved. Thus, important signals may be given that suggest a more careful examination of the path ahead.

The most recent period covered, the March quarter, shows a heavy preponderance of insider sales, as well as moderately heavy liquidations distributed among many industries. This is, at the least, a signal of caution. END

An Exclusive Feature...

SHIPPERS and SHIPBUILDERS FACING STORMY WEATHER

By MALCOLM MacVEY

- **An expert reappraisal of basic facts in the shipping industry not commonly known**
- **And varying status for the individual shipping and shipbuilding companies**

AMERICA'S merchant marine fleet, the backbone of our military supply system during the last three wars, has been allowed to deteriorate, while the outlook for the next few years can best be described as uncertain. The effects of this sorry state of affairs will probably have political significance some years hence, as the various parties attempt to assign blame for the virtual stagnation of our merchant fleet. But latter day battles in political halls will do little to solve the sad plight of the shipping lines and the shipbuilding companies today.

What is most galling to both the shippers and the builders is that everyone, from the highest down to the lowliest official, pays lip service to the essential nature of both industries for the national defence. And everyone, in the same downward progression finds ways to sweep the problem under the rug when it comes to implementing programs for revitalizing the industries.

A good case in point is the present status of the ship replacement program that began in 1958. Under the government's plan, a modern merchant fleet was deemed a national necessity. Therefore subsidized shipping lines were required to replace all ships that had seen twenty years of service. Since the largest portion of our present fleet was built during World War II, this would call for the replacement of between 250 and 300 ships during the next eight to ten years. The shipping companies were to pay part of the costs themselves, with the government picking up the balance of the tab through subsidy to the lines and direct payments to the shipbuilders.

What has happened, of course, is another story. Each year, budget balancing problems have interfered with the program so that after only two years it is far behind schedule. As a result, the shipping lines are not getting new ships as rapidly as expected, and the shipbuilders are cutting each others' throats for the small amount of business actually available. (At the moment a strike at Bethlehem Shipyards, the nation's largest builder, is cutting

Comprehensive Statistics Comparing the Position of Leading Shipbuilding & Shipping Companies*

Figures are in millions except where otherwise stated.	Shipbuilders			Shipping			
	Bath Iron Works	Newport New Ship building & Dry Dock	New York Ship-building Corp.	American Export Lines	Lykes Bros. Steamship Co.	Moore-McCormack Lines	U. S. Lines
CAPITALIZATION:							
Long Term De.t (Stated Value(	—	—	—	$ 12.6	—	$ 2.0	$ 42.8
Preferred Stock (Stated Value)	—	—	—	—	—	—	$ 1.3
No. of Common Shares Out. (000)	419	1,615	1,355	1,200	3,800	2,295	1,696
Capitalization	$ 4.1	$ 21.0	$ 1.3	$ 13.1	$ 38.0	$ 29.5	$ 45.8
Total Surplus	$ 18.1	$ 40.0	$ 41.2	$ 85.2	$158.2	$ 68.6	$ 94.1
INCOME ACCOUNT: Year Ended	12/31/59	12/31/59	12/31/59	12/31/59	12/31/59	12/31/59	12/31/59
Net Sales	$ 58.8	$191.0	$115.9	$ 64.5[3]	$ 61.0[3]	$ 69.8[3]	$138.6[3]
Deprec., Depletion, Amort., etc.	$ .7	$ 2.7	$ 1.7	$ 3.2	$ 2.5	$ 6.1	$ 7.5
Income Taxes	$ 2.7	$ 12.6	$ 2.3	$ 3.1	$ 2.7	$ .5	$ 6.3
Interest Charges, etc.	—	—	—	$ .5	$ 4.4	—	$ 1.5
Balance for Common	$ 2.5	$ 7.7	$ 1.7	$ 6.6[2]	$ 7.0	$ 1.4	$ 8.1
Operating Margin	8.4%	—	3.7%	—	—	—	—
Net Profit Margin	4.3%	4.0%	1.4%	—	—	—	—
% Earned on Invested Capital	11.4%	12.7%	4.0%	—	—	—	—
Earned Per Common Share	$ 6.00	$ 4.81	$ 1.27	$ 4.41	$ 1.85	$ .62	$ 4.77
Cash Earnings Per Share	$ 7.79	$ 6.49	$ 2.52	—	—	—	—
BALANCE SHEET: Year Ended	12/31/59	12/31/59	12/31/59	12/31/59	12/31/59	12/31/59	12/31/59
Cash and Marketable Securities	$ 11.8	$ 12.4	$ 6.6	$ 4.7	$ 9.2	$ 3.5	$ 6.4
Inventories, Net	$ 1.5	$ 6.7	$ 38.3[1]	—	$ .5	—	$ 1.0
Receivables, Net	$ 12.4	$ 15.0	$ 5.7	$ 7.7	$ 20.3	$ 6.4	$ 12.4
Current Assets	$ 29.7	$ 51.2	$ 50.9	$ 22.9	$ 27.6	$ 24.5	$ 36.1
Current Liabilities	$ 13.5	$ 20.1	$ 24.5	$ 14.9	$ 10.3	$ 11.9	$ 26.3
Working Capital	$ 16.2	$ 31.1	$ 26.4	$ 8.0	$ 17.3	$ 12.6	$ 9.8
Current Ratio (C.A. to C. L.)	2.2	2.5	2.0	1.5	2.6	2.0	1.3
Fixed Assets, Net	$ 6.1	$ 28.8	$ 14.7	$ 42.6	$ 36.3	$ 62.5	$ 81.4
Total Assets	$ 35.9	$ 81.1	$ 68.0	$117.1	$211.6	$115.2	$173.1
Cash Assets Per Share	$ 28.27	$ 7.72	$ 4.92	$ 3.95	$ 2.42	$ 1.53	$ 3.78
SEGREGATED FUNDS ON DEPOSIT JOINTLY WITH MARITIME ADMINISTRATION **				$ 51.5	$134.8	$ 25.6	$ 50.5[4]

*—Statistics on other leading companies have not been included because recent balance sheet figures have not been released yet.

**—Available to companies only on approval of the government and limited to restricted uses.

Note: Balance sheet items for Bethlehem Steel Corp. (shipbuilding activities secondary) are found on page 203 in the May 7, 1960 Steel industry article.

1—Contracts in process.

2—Including non-operating profit of $1.3 million.

3—Revenues.

4—Includes $16.5 million, est. depos. to be made.

down the excessively competitive bidding, but this is merely a temporary palliative.)

Foreign Trade Dilemma

On another level, political factors again provide a good illustration of the inability of the government to come to grips with the problem or to follow through with policies once they are formulated.

Back in the immediate days following World War II it was stipulated under Marshall Plan agreements that 50% of all import and exports cargoes moving through U.S. ports must be carried on American flag vessels. However, the policy was never enforced with much vigor. As a matter of fact American ships have not carried their quota of 50% since 1949, and by 1959 their share of United States import and export business was under 15%, or close to the lowest percentage in the twentieth century.

What has happened, of course, is that the State Department has viewed the economic recovery of our wartime allies and enemies as more important than the domestic ship industry. Hence, many foreign fleets have been built up at the expense of the American taxpayer and the shareholders of domestic shipping lines and shipbuilders.

The results of these policy decisions can be seen readily in the statistics. The U.S. Fleet consists of approximately 1010 vessels of all types; tankers, passenger ships and cargo vessels.

This is a reduction of over 20% in just the last five years. Moreover, a full 10% of all our ships are idle, and do not plow the seas simply because there is not enough business to keep them in operation even under government subsidy.

What Can Be Done?

The solutions to these problems are not easy, but they must be tackled. ► First, of course, the government must make up its mind whether a merchant marine is truly essential for the national defense. ► If it is not, then a lot of money now going down the drain for subsidy can be saved for the taxpayer. ► If, however, as is more likely, it is decided that shipping is an essential industry, then certain concrete steps must be taken to alleviate the current situation.

We have already faced up to the fact that domestic ships, with their high cost labor and towering building costs cannot compete effectively against foreign shipping. It is for this reason that we pay our shippers operating differential subsidies designed to redress the imbalance. But, as can be seen from the above figures, these measures cannot save

Position of Leading Shipbuilders

	Rating	Earnings Per Share 1958	Earnings Per Share 1959	Cash Earn. Per Share 1959	Dividends Per Share 1958	Dividends Per Share 1959	Indicated 1960 Div. *	Recent Price	Div. Yield	Price Range 1959-60
American Shipbuilding	C1	$d5.25[1]	$2.37[1]	$6.56[1]	$ —	$1.00	$1.00	109	9.1%	109¾-52¼
Bath Iron Works	B2	5.03	6.00	7.79	2.60	3.00	3.00	44	6.8	66¼-39½
Bethlehem Steel	A1	2.91	2.44	4.20	2.40	2.40	2.40	45	5.3	59⅛-43⅛
Newport News Shipbuilding	B4	4.19	4.81	6.49	2.00	2.40	2.60	34	7.6	49⅝-33⅛
New York Shipbuilding	C1	3.69	1.27	2.52	1.40	2.00	2.00	23	8.9	38⅜-22
Todd Shipyard Corp.	C2	3.81[2]	.56[2]	2.22[2]	1.67	1.54	1.40	23	6.0	38¼-22

*—Based on latest dividend rate.
d—Deficit.

1—Years ended June 30.
2—Years ended March 31.

RATING KEY: A—Best grade.
B—Good grade.
C—Speculative.
D—Unattractive.

1—Improved earnings trend.
2—Sustained earnings trend.
3—Earnings up from the lows.
4—Lower earnings trend.

the fleet without a rigid enforcing of the other measures already on the books. It is not new laws that are needed, but a new attitude towards our shipping problem—one that places our domestic interest first. Without it, we are merely pouring subsidy money into a bottomless pit.

For the longer range, a broad program of research in new methods of propulsion and more efficient ways of handling cargoes is a prime necessity. Containerization, the process of packing all goods in uniform containers that can be handled with ease, has already been developed, but before it can be used enough to effectuate real cost savings, other problem must be solved.

International Labor—Foremost among these is the refusal of longshoremen to unload ships that have containerized cartons. The problem, moreover, is not just domestic. Longshoremen all over the world have refused, but if agreement can be reached in the U.S. and several major ports abroad real progress might be made.

► First, however, we must come to grips with our labor problem at home. ► Then, perhaps our foreign representatives will be able to deal with foreign labor in a firmer manner.

Immediate Outlook for Shippers

Whatever happens in the long term, the near future is not bright for America's shipping lines. Tourism is at record levels, but the business lost to the international airlines will probably never again be recovered. Moreover, in the more important area of international trade, the situation is no better than last year, or any of the years since 1957, the last fairly good year for the domestic companies.

In 1959, as cheap foreign goods flowed into this country on foreign vessels, the domestic share of the business declined. More important, however, is that these same ships were able to pick up enough of America's export business to cause a full 30% decline for the American companies from the peak levels of 1957. The picture for 1960 is no better.

Exports from this country will rise substantially, but few realize that the principle reason for this is the large number of commercial aircraft scheduled for foreign delivery.

The effect of this is twofold. First it loads our export statistics with non-recurring items, and secondly it provides no export business for American shipping companies. The planes are large and can be flown to their destination.

There may be an exception to the declining trend for shipping out of Gulf ports because of an expected large rise in cotton exports, but although this will undoubtedly benefit Lykes Steamship, its overall effect on the entire *(Please turn to page 337)*

Position of Leading Shipping Companies

	Rating	Earnings Per Share 1958	Earnings Per Share 1959	Cash Earn. Per Share 1959	1st Quarter Earnings Per Share 1959	1st Quarter Earnings Per Share 1960	Dividends Per Share 1958	Dividends Per Share 1959	Indicated 1960 Div. *	Recent Price	Div. Yield	Price Range 1959-60
American Export Lines	B4	$7.61	$4.41	$7.15	$ .46	$d.34	$2.00	$2.00	$2.00	23	8.6%	34⅝-20½
Lykes Bros. Steamship Co. ...	B1	3.43	1.85	2.53	.39	.41	.75	1.00	1.00	17	5.8	34⅞-17
Moore McCormack Line	B2	2.28	.62	3.28	.34	.17	1.50	1.12	.30	12	2.5	24¾-11⅝
U. S. Lines	B2	6.07	4.77	9.27	.56	.62	2.00	2.00	2.00	28	7.0	35⅛-26⅝

*—Estimates based on latest dividend rate.
d—Deficit.

RATING KEY: A—Best grade.
B—Good grade.
C—Speculative.
D—Unattractive.

1—Improved earnings trend.
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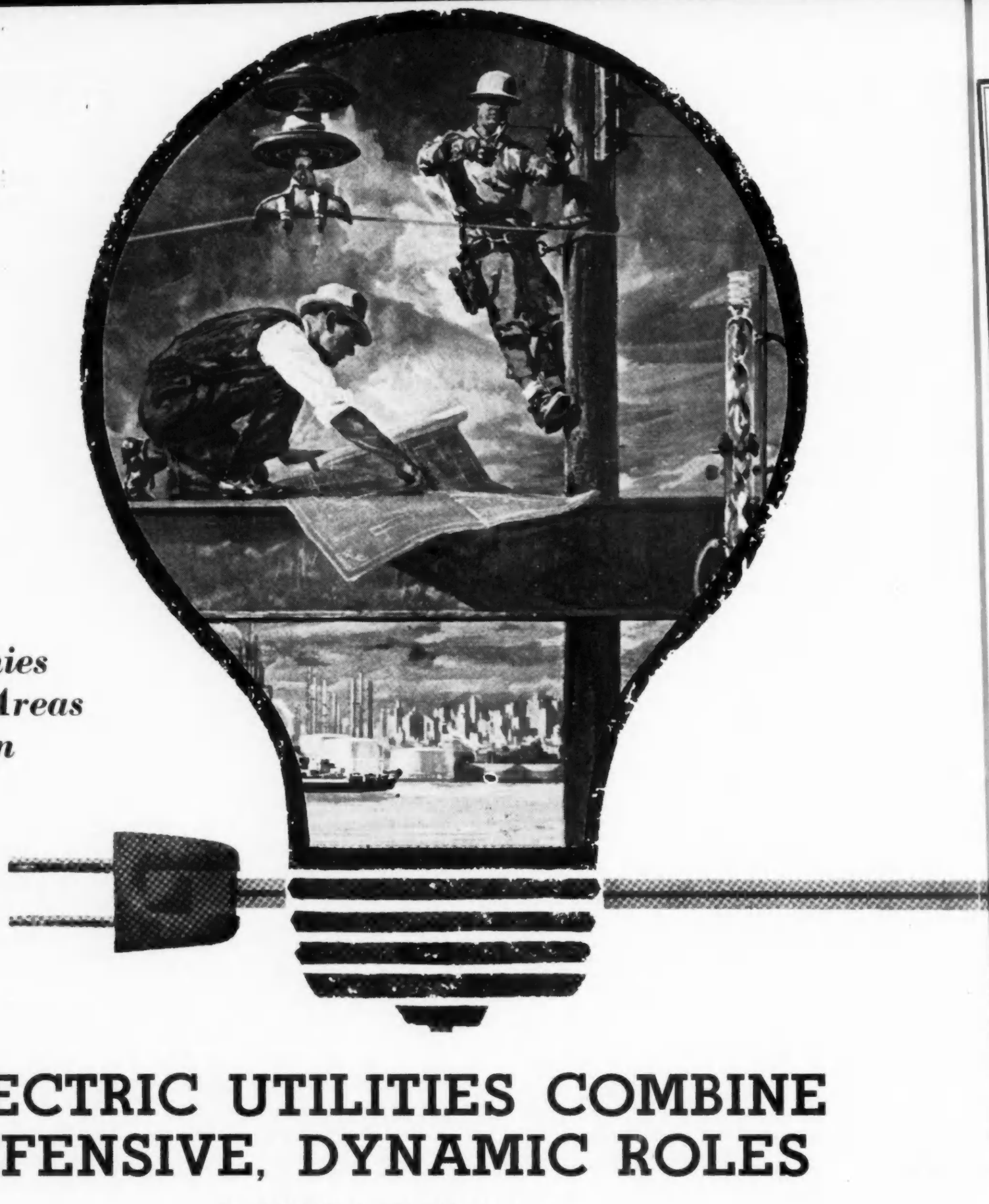


Which Companies and Which Areas in Best Position

ELECTRIC UTILITIES COMBINE DEFENSIVE, DYNAMIC ROLES

By ROBERT R. STURTEVANT

THE electric utilities—and especially the "growth utilities"—have given a good account of themselves in the past year. The rank and file are virtually at the same price level as a year ago despite the decline in the Dow Jones Industrial Average. The gap between stock yields and bond yields has hardly changed from a year ago: stocks yield slightly less than 4% compared with 4.5% for high grade utility bonds—a year ago the comparison was 3.9% vs. 4.4%. Average share earnings are up about 6% to 7%, or slightly more than the average of the previous five years.

In the growth utility group, however, some sensational gains have been registered in the past year. This is particularly true of the Florida stocks: **Tampa Electric** is now 35 compared with 25 a year ago (after adjusting for the split), a gain of 40%; and **Florida Power & Light** is 60 compared with 44 (also adjusted for a split). **Florida Power** is 35 compared with 28. Gains among the Texas group have been less sensational, but **Texas Utilities** at 75 compares with 66 a year ago, and **Central & South West** at 35 with 31 a year ago. **Virginia Electric Power** has gained 15% and others show modest gains.

Gains in Usage and Customers—According to Washington figures for the investor-owned electric utilities, the number of customers gained 2.4% and average usage per customer 7.3% last year, resulting in a gain in kwh sales of nearly 10%. Considering the long steel strike this was an especially good showing, although of course the "recession" in the first half of 1958 was an offsetting factor. In the important residential segment of the business the number of customers gained 2.6% (reflecting new family formations) and average residential usage increased 6.5% due to increased use of appliances, old and new.

Total revenues gained only 8.6%, reflecting appli-

Comparative Earnings, Dividend Record and Comment on Important Electric Utilities

	Earnings Per Share					Indicated			Price	
				1st Quarter		Current	Recent	Div.	Earnings	Price Range
	1957	1958	1959	1959	1960	Dividend	Price	Yield	Ratio *	1959-1960
American Electric Power Co.	$2.26	$2.30	$2.30	$ .65	$ .70	$1.80	51	3.3%	22.1	55⅜-45⅜
Baltimore Gas & Electric	1.17	1.19	1.41	.51	.52	1.00	25	4.0	17.7	27¼-27⅞
Central & South West Corp.	1.21	1.27	1.36	.27	.27	.90	36	2.5	26.4	36¾-27
Cincinnati Gas & Electric	2.01	1.85	1.97	1.84[1]	2.14[1]	1.50	34	4.4	17.2	37 -30¾
Cleveland Electric Illum.	2.64	2.60	2.95	.83	.92	1.80	53	3.3	17.9	55¾-44⅝
Commonwealth Edison	2.85	3.28	3.67	1.08	1.10	2.00	58	3.4	15.8	64 -55⅜
Consolidated Edison	3.44	3.74	3.92	1.53	1.39	3.00	62	4.8	15.8	68¼-58⅛
Consumer Power Co.	3.30	3.15	3.71	3.26	3.61	2.60	56	4.6	15.0	61¾-52⅜
Dayton Power & Light	3.15	3.21	3.22	N.A.	N.A.	2.40	48	5.0	14.9	61 -45¾
Detroit Edison	2.62	2.17	2.34	.73	.81	2.00	42	4.7	17.9	47¾-40⅛
Duquesne Light Co.	1.36	1.40	1.44	.40	.43	1.10	23	4.7	15.9	26⅞-21⅝
Florida Power & Light	1.49	1.75	1.93	.47	.56	.80	58	1.3	30.0	61⅛-42¼
Hartford Electric Light Co.	4.33	3.54	3.65	1.13	1.17	3.00	62	4.8	16.9	74¾-61½
Middle South Utilities	1.21	1.31	1.40	.31	.32	1.00	29	3.4	20.7	29¾-22
New England Electric System	1.19	1.26	1.31	.43	.44	1.08	20	5.4	15.1	21¼-19⅝
Niagara Mohawk Power	1.91	2.12	2.07	.80	.84	1.80	35	5.1	16.9	41⅜-33⅞
Northern States Power	1.23	1.30	1.41	.48	.47	1.10	25	4.4	17.7	26¼-22⅛
Ohio Edison	1.81	1.80	1.98	1.84[1]	2.04[1]	1.48	32	4.6	16.1	33⅞-28¼
Pacific Gas & Electric	3.41	3.74	3.70	3.72[1]	3.81[1]	2.60	61	4.2	16.4	66¾-58¼
Philadelphia Electric	2.60	2.76	2.90	.98	.96	2.24	49	4.5	16.8	57 -46⅞
Public Service Elec. & Gas	2.22	2.14	2.27	1.07	1.07	1.80	37	4.8	16.3	43⅞-35¾
Puget Sound Pow. & Lt.	1.82	1.97	2.11	.58	.58	1.44	30	4.8	14.2	36⅜-29
Southern California Edison	3.12	3.78	3.82	.95	1.02	2.60	57	4.5	14.2	63¾-54⅝
Southern Co.	1.65	1.81	1.93	1.75[1]	1.97[1]	1.40	45	3.1	23.3	47¼-34
Union Electric Co.	1.94	1.77	1.84	N.A.	N.A.	1.80	36	5.0	19.5	37 -30⅛
Utah Power & Light	1.82	1.75	1.85	.49	.49	1.32	35	3.7	18.8	36⅞-31
Virginia Electric & Power	1.53	1.66	1.70	.47	.49	1.80	44	4.0	25.9	45¼-33⅛
West Penn Electric	2.19	2.26	2.36	.65	.68	1.70	38	4.4	16.1	38¾-33
Wisconsin Electric Power	2.40	2.12	2.87	N.A.	N.A.	1.80	37	4.8	12.8	40½-35⅛

*—Based on 1959 earnings. N.A.—Not available. [1]—12 months ended March 31.

American Electric Power subsidiaries operate in highly industrialized areas in seven states (no big cities served); system benefitting by installation of very large generators. Earnings outlook favorable. **A2**

Baltimore Gas & Electric is old line, conservatively managed utility, with fair earnings record; received rate increase in 1959. State regulation recognizes fair value. **A1**

Central & South West is one of the Texas group of "growth utilities," share earnings and dividends having increased every year since 1951. Industrial growth in area likely to continue. **B2**

Cincinnati Gas & Electric: Dividend record since 1853. Usually stable area economy. Excellent yield on stock (about 4.5%) considering investment caliber. Company seeking rate increases. **A2**

Cleveland Electric Illuminating is at center of highly industrialized area and should benefit from increased activity resulting from St. Lawrence Seaway. 1959 share earnings gained 13% and 5-year average gain was 9%. **A1**

Commonwealth Edison serves rapidly growing suburban areas as well as slow-growth city of Chicago. Pays out nearly all earnngs in cash and stock, affording over-all yield of 5.8%. Good share earnings record, after adjusting for spin-off of gas properties. **A1**

Consolidated Edison has been handicapped by low rate of return (4.7% on invested capital last year). However, company obtained some rate relief in 1959 and is seeking substantial additional amount. Also benefitting by stepped-up building activity in New York City. **A2**

Consumers Power: Serves most of lower peninsula of Michigan outside of Detroit Edison area, approaching latter in revenues. Share earnings in 1958 about same as 1953; rate increase improved 1959 showing but company did not obtain full amount sought. **A2**

Dayton Power & Light: Earnings record disappointing in recent years as rate of return has declined. Stock offers attractive yield (about 4.8%) and P-E ration also reasonable. **A4**

Detroit Edison: Share earnings showed good gains in 1955 and again in 1957, but declined sharply in 1958, with moderate recovery in 1959. About 5.3% earned on invested capital. Stock yields 4.8%, dividend partially tax-free. **A3**

Duquesne Light: Share earnings increased gradually but steadily since 1948 (aided by flow-through of tax savings); affected by steel strike last year, might show better gain in 1950. Good yield. **A3**

Florida Power & Light is generally rated as the "number one" electric growth utility—both earnings and dividends have been in steady uptrend since 1948 or earlier. Regulatory climate quite favorable. As growth issue yield is only 1.6%. **A1**

Hartford Electric Light doubled size by merger with Connecticut Power. Earnings irregular in recent years due to bookkeeping changes (savings from accelerated amortization were first included, then excluded). Stock yields 4.8%. **A3**

Middle South: Utilities now appears to have a favorable regulatory atmosphere and the stock is acquiring; the reputation of a "growth stock." **B1**

New England Electric System share earnings record rather drab, 1959 same as 1951. Company unable to obtain needed rate increase in Rhode Island. Separation of gas properties may prove necessary. Stock yield high at 5.4%. **B3**

Niagara Mohawk Power handicapped since 1957 by loss of huge hydro plant at Niagara Falls, requiring purchase of expensive 25-cycle power. While company obtained some rate increases, these were inadequate and more may be requested. May benefit later by power from New York State Power Authority. **B4**

Northern States Power: Share earnngs improved steadily in past five years, with gain of 8% last year. Area's economy largely farming and light industry, hence quite stable. **A2**

Ohio Edison: Share earnings made little progress during 1956-8 but showed good gain last year, despite the steel strike. The company obtained rate increase from 52 municipalities and seeks additional amounts. **A2**

Pacific Gas & Electric: One of largest electric-gas utilities. Return on invested capital only 4.3% in 1951, but has recovered to about 5.3% resulting in good gain in share earnings in the past eight years. Regulatory climate now seems less favorable. **A2**

Philadelphia Electric: Good investment caliber, yelds about 4.5%. Increase in share earnings about average in recent years, outlook favors continued gains at about same rate. **A3**

Public Service Electric & Gas: Has had rather drab record of share earnings and dividends, but has requested a rate increase of $36 million which may be decided by Fall. Commission might order adoption of flow-through to reduce amount of allowed increase. Liberal yield. **A3**

Puget Sound Power & Light: Had irregular earnings during the earlier part of the postwar period but they have advanced steadily in past seven years, with corresponding increases in the dividend rate. Company just received a rate increase which, however, may be offset by decline in interest credit for construction. **B1**

Southern California Edison: Due to rising fuel costs and relatively low rate of earned return, share earnings have gained only moderately in past decade. Company now ordered to use flow through of tax-savings, which will increase earnings — unless company decides to abandon accelerated depreciation. **A3**

Southern Company: There was hardly any gain in earnings during 1949-1954, but there have been excellent increases in the past four years, which are expected to continue. **B1**

Union Electric earnings now aided by flow-through of tax savings. Earnings have recently shown substantial gains, following a rather mediocre record in previous years, and dividend was recently increased. **A3**

Utah Power & Light: Showed steady gains in earnings during 1952-7, but only a moderate net increase in the past two years. However, receipt of a block of new hydro power from Idaho Power should aid future earnings, and industrial development should gain. **B3**

Virginia Electric & Power: Generally regarded as one of the "growth utilities" though last year's gain in share earnings was only 3%. Industrial expansion in the area expected to continue. **A1**

Went Penn Electric: Has reported steady gains in earnings since 1951 and dividends have increased in ten out of the last eleven years. Yield of 4.6% is liberal. **B3**

Wisconsin Electric Power: Share earnings remained in a relatively narrow range during 1948-54 but were irregularly higher in later years including a sharp gain last year resulting from a rate increase. Stock affords a good yield. **A2**

RATINGS: A—Best grade. B—Good grade.
1—Earnings gain in recent years above industry average.
2—Earnings gain in recent years, in line with industry average.
3—Earnings gain in recent years below average.
4—Earnings stable in recent years.

1959 Key Statistics and Ratios

	American Electric Power	Baltimore Gas & Electric	Central & South West Corp.	Cincinnati Gas & Electric	Cleveland Electric Ilum.	Commonwealth Edison	Consolidated Edison	Consumers Power
PLANT VALUE (MILLIONS) GROSS	$1,651	$527	$756	$418	$540	$1,958	$2,514	$1,032
Depreciation Reserve	353	104	119	96	136	443	450	173
Net Plant Account	1,298	423	637	322	404	1,515	2,064	859
CAPITAL RATIOS (%)								
Funded Debt to Total Capitalization	54	49	51	46	48	52	52	51
Preferred Stock to Total Capitalization	8	7	11	13	6	4	8	10
Common Stock & Surplus to Total Capitalization	38	44	38	41	46	44	40	39
ANALYSIS OF REVENUES—ELECTRICITY %	100	67	100	59	96	100	79	65
Gas %	—	31	—	41	4	—	15	34
Miscellaneous	—	2	—	—	—	—	6	1
INCOME ACCOUNT (Consolidated)								
Gross Revenues (Millions)	$323	$169	$160	$140	$131	$454	$615	$258
Operating Expense (includ. purch. pow. & gas)	110	90[2]	52	74	50	161	253	125
Maintenance	24	—	9	7	7	25	60	11
Depreciation	42	13	18	11	14	49	52	24
Taxes—Federal Income (Includ. Deferred Taxes)	43	23	27	17	14	71	43	36
Net Operating Income (after all taxes)	75	27	41	20	26	94	101	48
Gross Income	76	28	41	21	26	94	102	50
Fixed Charges, etc. [1]	27	7	12	4	5	21	30	12
Net Income	49	21	29	17	21	72	69	37
EXPENSES RATIOS (%)								
Ratio Depreciation to Gross Revenues	13	8	11	8	11	11	8	9
Maintenance to Gross Revenues	7	—	5	5	5	5	10	4
Combined Deprec. & Maintenance to Gross Rev.	20	—	16	14	16	16	18	14
Operating Ratio (including taxes)	76	83	74	85	80	79	83	81
EARNING RATIO								
No. Times Fixed Charges Earned after taxes [1]	2.7	4.2	3.6	5.4	5.7	4.3	3.4	4.1
ANALYSIS OF ELECTRIC REV. (% of Total)								
Residential & Rural	34	36	38	39	34	36	34	42
Commercial	15	30	29	25	58[3]	30	53[3]	22
Industrial	40	33	23	27	—	26	—	31
Other	11	1	10	9	8	8	13	5
COMMON STOCK								
Dividend Pay-out	78	70	66	76	61	54	76	70

1—Includes interest on construction credit. 2—Includes maintenance. 3—Combined commercial and industrial.

cation of lower rates under promotional schedules—although some rate increases were obtained by the utilities. Fuel expenses were up only 8.1%, a good showing considering the fact that hydro production for the year was down 1.8% and steam production up 13.3%. Based on preliminary estimates by the Edison Electric Institute the heat rate (btu per kwh) declined 1.5% to 10,920 and the number of pounds of coal per kwh declined 1.4%. The cost of gas for fuel continued to edge higher in the south (as long-term contracts were renewed), but excess supplies of oil and some price weakness helped to offset this, on an overall basis.

Salaries and wages in 1959 increased 5.6%; higher wage rates probably accounted for this, and employee efficiency doubtless increased enough to take care of the 10% gain in output. Computers are being used increasingly by the utility companies, permitting continuance of the gradual downtrend in the number of employees. Bi-monthly billing and smaller generating room staffs are also factors in this improvement.

Miscellaneous expenses were up only 5.5%, presumably reflecting slightly lower costs for raw materials such as copper, etc. Depreciation increased 9.7% and taxes 10.7%, and the substantial gains in these items partially offset the benefits of savings in operating expenses. Income from operations nevertheless showed an excellent gain of 10.7% and gross income 10.6%. This was whittled down somewhat by the substantial increase in interest and other charges (up 12.6%) but net income was still able to show a gain of 9.9%, exactly the same as the increase in kwh sales.

Preferred dividends increased only 3.9% so that the increase in the balance for common stock was 10.7%. Against this must be set the increase in the number of shares outstanding, on which no data is available. In general however, it is estimated that 1959 share earnings gained about 6 to 7% over 1958.

Electric utility earnings in the aggregate are benefitting by the trend toward "flow-through" of tax savings resulting from the use of accelerated depreciation. To show how important the saving is, the following are typical percentages of the amount of reported earnings per share resulting from such tax savings:

	1959 Earnings	Tax Savings	Tax Savings Percentage
Atlantic City Electric	$1.39	$ .20	14%
Consolidated Edison	3.92	.47	12
Long Island Lighting	2.03	.33	16
Potomac Electric Power	1.79	.24	13
Rochester G. & E.	3.31	.40	12
Pacific Power & Light	1.88	.40	21
California Electric Power	1.15	.23	20

Thus far the electric utilities have not been

Ratios of Important Utility Companies

Con- sumers Power	Detroit Edison	Middle South Util.	Niagara Mohawk Power	Northern States Power	Ohio Edison	Pacific Gas & Electric	Phila. Electric	Public Service Elec. & Gas	Puget Sound Power & Light	Southern Calif. Edison	Southern Company	Union Electric Co.	West Penn Electric
1,032	1,116	$856	$1,198	$639	$638	$2,776	$1,225	$1,441	$209	$1,366	$1,457	$714	$663
173	202	166	264	134	120	544	263	289	19	221	271	160	160
859	914	690	934	505	518	2,232	962	1,152	190	1,145	1,186	554	503
51	54	54	53	46	53	49	53	57	56	50	56	52	55
10	—	11	15	18	13	16	9	9	5	14	10	11	13
39	46	35	32	36	34	35	38	34	39	36	34	37	32
65	97	85	88	84	98	66	84	66	100	100	100	95	100
34	—	10	12	15	—	34	15	34	—	—	—	3	—
1	3	5	—	1	2	—	1	—	—	—	—	2	—
$258	$267	$198	$285	$170	$133	$583	$264	$369	$ 32	$280	$297	$147	$152
125	120	79	136	72	44	224	113	162	14	93	114	59	57
11	16	12	22	8	9	21	22	33	2	16	14	11	11
24	26	22	25	15	16	56	30	31	3	31	39	17	17
36	26	27	12	22	22	69	35	33	1	44	44	11	20
48	47	37	48	32	30	118	52	59	9	59	66	32	33
50	47	37	48	32	33	120	53	60	9	61	67	32	34
12	13	13	15	7	5	33	9	19	2	17	17	9	12
37	33	22	31	25	28	85	43	39	7	43	43	23	21
9	9	11	9	9	11	9	11	9	8	11	12	12	11
4	6	6	7	5	7	4	8	9	7	5	5	7	7
14	15	17	16	14	18	13	19	18	15	16	17	19	18
81	82	81	83	81	77	79	88	84	72	78	77	78	78
4.1	3.5	2.7	3.0	4.9	6.6	3.7	5.6	3.2	5.2	3.5	4.0	3.9	2.7
32	40	38	35	44	40	46	35	35	57	41	35	37	40
22	28	25	20	51[3]	23	48[3]	57[3]	30	25	22	27	22	16
31	30	26	31	—	31	—	—	31	12	27	28	33	39
5	2	11	14	5	6	6	8	4	6	10	10	8	5
0	85	71	77	77	74	70	79	79	68	67	72	97	72

greatly handicapped by the rise in money rates because this has had a very gradual impact. Thus, while Consolidated Edison's cost of bond financing rose from 2.6% in 1947 to 5.20% in 1959, the weighted average rose only from 2.6 to 3.6%. Moreover, over half of the rise in interest charges is absorbed by Federal income taxes. Also, while bond prices were falling and the cost of bond money was rising, utility stocks were reaching new highs (since 1930) and common stock money was thus obtainable at very low earnings cost, so that this furnished a substantial offset to the increased cost of senior financing.

Thus while the utilities may be eventually affected by high money rates, after these have completely permeated the entire capital structure over a period of years, thus far the effect has been almost negligible. Moreover, during periods of high money rates, regulatory commissions are apt to be somewhat more liberal, either allowing a slightly higher rate of return than the traditional range of 5¾%-6%, or making some concessions regarding the rate base (year-end instead of mid-year, etc.).

New Financing—What has been the recent pattern of electric utility financing? ► In the first quarter of 1960 the electric utilities sold $312 million long-term debt securities; $72 million preferred stock and $23 million common stock. ► Corresponding figures for 1959 were $360 million, $16 million and $158 million. The sharp decline in the stock market was probably the factor in the relatively small amount of equity financing, despite the fact that utilities behaved relatively well. With the moderate improvement in the bond market, senior financing (bonds and preferred stock) was almost the same as last year.

► In April, however, the electric utilities sold $162 million bonds, $9 million preferred and $46 million common, or a total of $217 million compared with the monthly average in the first quarter of only $135 million. Over twice as much common stock was sold as in the first three months—thus the utilities belatedly took advantage of the revived institutional demand for utility stocks.

Growth Picture

The electric utility industry is expected to continue its past rate of growth but at a somewhat slower pace than in the earlier postwar years, when the utility companies were making up for lack of growth during wartime. Kwh output for the entire electric industry increased at an average compounded annual rate of 7.3% during 1920-58, and excluding the depression period of 1930-40 the rate would have been 8.3%. However, some allowance must be made for the fact that in the postwar period some 10% of total power output has gradually been diverted to the Atomic Energy Commission's plants, accounting for some of the rapid increase in output.

The Edison Electric *(Please turn to page 333)*

ARE TEXTILES AT THE CREST?

By J. D. Halliday

- An expert takes up the various facets of the textile industry, its cyclical boom and depression characteristics and whether history will repeat itself
- The position of the individual companies, their diversification, outlook and prospects in the face of intensified foreign competition
- Outlook for earnings, dividend and textile share prices

SOMEONE once remarked that the textile industry has the longest periods of recession and the shortest periods of prosperity of any industrial group. To the patient investor in textile shares, there is more truth than jest in this statement but it is also true that for astute speculators, this cycle can be extremely profitable. The industry has a long history of fairly regular cycles and, although changes in the business have taken place, violations of the trend have been rare up to the present time.

A more detailed discussion of the present status of certain key indicators is presented later in this report but it may be well to note briefly where the industry stands today. The upturn in mill production which began in the latter part of 1958 continued into 1959 before a slackening of demand took place. Recently a wave of new orders instilled hope that the upturn in the textile cycle had not expired. There is nothing to indicate, however, that this improvement will continue throughout the second quarter. *Based on present orders, most mills should experience a fairly good year in 1960 with volume close to the peak reached in 1959. Mill margins (the spread between cotton costs and cloth selling prices), which have been rising steadily since July 1958, gave the first indication of a leveling off in March, and this indicator should be closely watched to see if this is a changing trend.*

Textile share prices, which reached a high last year based on the averages, have drifted downward since mid-1959, possibly reflecting an anticipated downtrend in the industry over the next year or so. Should this materialize, some patience might be

Position of Leading Textile Companies

	1st Quarter Net Sales (Millions) 1959	1st Quarter Net Sales (Millions) 1960	1st Quarter Net Earnings Per Share 1959	1st Quarter Net Earnings Per Share 1960	Full Year Earned Per Share 1958	Full Year Earned Per Share 1959	Full Year Cash Earn. Per Share 1959	Full Year Dividend Per Share 1959	Full Year Dividend Per Share 1960 *	Price Range 1959-1960	Recent Price	Div. Yield %
Adams-Millis Corp.	$ 4.4	$ 4.6	$ .33	$ .35	$ .91	$1.22	$1.58	$ .66	$ .72	30⅜-11	27	2.6%
American Enka Corp.	23.7[1]	23.5[1]	1.05[1]	.39[1]	1.48	4.31	10.29	1.80	1.00	46 -20	21	4.7
American Viscose	62.5	54.8	.71	.41	1.36	2.98	6.15	1.50	2.00	55⅜-32⅞	35	5.7
Anderson Clayton & Co.	355.3[2]	395.2[2]	1.84[2]	2.95[2]	2.49[6]	3.77[6]	6.78[6]	2.00	2.00	41⅛-34	36	5.5
Beaunit Mills	74.2[3]	93.5[3]	.94[3]	2.55[3]	1.38	3.50[7]	—	1.00	1.00	30 -17¾	18	5.5
Bigelow-Sanford Inc.	16.8	17.6	.23	.36	d1.91	1.73	4.13	[9]	—	21⅝-12½	15	—
Burlington Indust.	378.0[4]	464.5[4]	1.12[4]	1.70[4]	1.21	2.72	5.03	1.00	1.20	26¼-14¼	18	6.6
Cannon Mills	N.A.	N.A.	N.A.	N.A.	5.31	5.04	6.61	3.00	3.00	69 -56	56	5.3
Celanese Corp.	58.8	66.7	.51	.50	1.64	2.44	5.66	1.00[10]	1.00	34 -21⅝	25	4.0
Cluett Peabody	23.8	26.2	.58	1.20	2.59	3.61	4.92	2.50	2.50	65 -46	55	4.5
Cone Mills	45.5	N.A.	.27	.31	.81	1.47	2.94	.80	.80	20⅞-13¾	14	5.7
Dan River Mills	42.6	43.6	.27	.41	1.35	1.81	3.13	.80	.80	19¼-13¼	14	5.7
Firth Carpet	6.9	6.5	.32	.23	d .24	1.01	2.11	.05	—	13⅞- 8⅛	9	—
Industrial Rayon	15.4	13.0	.14	d.27	d1.65	.45	2.20	—	—	30 -14⅜	17	—
Lowenstein (M.)	112.0	124.7	.30	.71	.57	1.69	3.45	.75	1.00	22 -15⅛	17	5.8
Mohasco Industries	25.7	27.4	.89	.39	1.73	3.03	3.84	.30[10]	.40	16¾-10	10	4.0
Pepperell Mfg.	N.A.	N.A.	N.A.	N.A.	3.79[8]	5.06[8]	10.85[8]	4.00	4.00	75⅜-60¼	63	6.3
Reeves Bros., Inc.	42.4[5]	52.3[5]	.38[5]	1.67[5]	.11[8]	.85[8]	2.11[8]	.37½	.50	41⅝-22	24	2.0
Reliance Mfg. Co.	13.5	14.7	.93	.51	d2.28	3.09	4.23	.25[10]	1.20[40]	36½-16⅜	22	5.4
Stevens (J. P.) & Co.	95.2	114.7	.66	1.01	2.60	4.52	7.20	1.50	1.50	34⅞-25⅛	28	5.3
United Merch. & Mfg.	N.A.	N.A.	1.62[5]	1.73[5]	1.20[8]	2.08[8]	2.99[8]	1.00	1.00	21¾-16¼	17	5.8
Van Raalte Co.	8.1	8.8	.97	1.19	2.72	3.64	5.43	2.00	2.00	36⅝-31½	34	5.9

*—Estimated based on latest dividend rates.
N.A.—Not available.
d—Deficit.

1—12 weeks ended 3/23/59 & 3/27/60.
2—6 months ended January 31.
3—9 months ended Dec. 31, 1958 & 1959.
4—6 months ended April 1.
5—9 months ended March 31.
6—Year ended July 31.
7—Estimated.
8—Year ended June 30.
9—Paid 3% in stock.
10—Plus stock.

Adams-Millis: Limited growth in hosiery business being more than offset by diversification moves into data processing auxiliary components. Changing character may improve earnings trend. **B1**

American Enka: Growing nylon capacity is a hedge against eroding rayon sales. Recent price cuts in tire yarn. Stock is speculative. **C4**

American Viscose: Narrowing margins will interrupt earnings growth this year but diversification via interest in joint ventures enhances long term outlook. **B4**

Anderson, Clayton: Prospects favor near-term earnings improvement for this cotton merchandiser high yield is available. Despite cyclical trends of cotton crops earnings have been relatively stable. **B1**

Beaunit Mills: Nylon inroads will affect this company's Tyrex market and result in lower profits over intermediate term from the high levels of the last fiscal year. **C4**

Bigelow-Sanford: This large carpet producers has diversified into pleasure boating field. Good financial condition. Dividend resumption possible later this year. **C1**

Burlington Industries: Both sales and earnings are being aided by inclusion of James Lees, which added to diversification. Near-term outlook relatively favorable but cyclical characteristics remain. **B2**

Cannon Mills: Consumer buying may boost 1960 sales and earnings but stability is main attraction. Dividends have remained at current rate since 1950. **B2**

Celanese Corp.: Further improvement in profits is possible this year as company capitalizes on its broad product line. **B2**

Cluett, Peabody: Stretchable paper process not a near-term earnings factor but improved results in store for men's furnishing line. Stock has fairly good long-range possibilities. **B2**

Cone Mills: Conversion operations may help to smooth out sharp earnings fluctuations but significant improvement is not apparent in foreseeable future. **C2**

Dan River Mills: Factoring subsidiary has stabilized earnings in recent years but competition is still a major deterrant to a major change in picture. **C2**

Firth Carpet: Only moderate sales improvement, at best, is anticipated for this year but absence of non-recurring charges will aid earnings. **C2**

Industrial Rayon: Strong financial position will allow management to undertake diversification program but present dependence on rayon tire cord precludes near-term restoration of former earnings. **C2**

Lowenstein (M.): Increased sales and earnings are in prospect for this large manufacturer of cotton goods. The dividend was raised twice in the latter part of 1959 and now provides a relatively good yield. **B1**

Mohasco Industries: Absence of tax-loss credits this year will lower net per share results although sales may gain modestly. Present dividend represents a relatively low payout. **C4**

Pepperell Mfg.: Sales in past decade have shown unusually stable trend. Earnings have fluctuated more widely but dividends are paid regularly and issue is one of the more conservative in the industry. **B2**

Reeves Bros.: Higher earnings are in prospect this fiscal year aided by diversification moves. Joint venture for development of microporous materials enhances outlook. **C1**

Reliance Mfg.: Earnings per share may be lower as tax credits are exhausted. Work clothing is the major line of this closely-held company. Dividends were resumed last year. **C3**

Stevens (J. P.): Favorable earnings comparisons are possible this fiscal year even with full tax liability. Company is among the best in the field. Some increase in the dividend is possible. **B2**

United Merch. & Mfrs.: The company's Robert Hall chain provides integrated operations and this, together with diversification moves within the textile field, reduces the sharp industry swings. **B2**

Van Raalte: Reasonably favorable sales and earnings comparisons are expected this year for this manufacturer of women's apparel. The long-term record has been good despite competitive pressures. **B2**

RATINGS: A—Best grade. B—Good grade. C—Speculative. D—Unattractive.
1—Improved earnings trend. 2—Sustained earnings trend. 3—Earnings up from lows. 4—Lower earnings trend.

required on the part of the investors who are seeking higher levels for the stocks. At present prices, many of the stocks seem to be discounting a leveling off in business, but speculative commitments should probably await further developments.

Industry Problems Retarding Growth

Probably the two most important factors restraining the industry from keeping pace with population growth and the resulting broadening markets are over-capacity at the mill level and burgeoning foreign competition. The former problem has been lessened to some degree during the presnt cycle by volume cutbacks in production which have brought output more closely in line with demand. Many mills have cut back to a five-day week from the previous six days and more internal technological improvements have been undertaken, thus enhancing the profit picture.

During the past several years the excess capacity problem has been helped by liquidations and mergers within the industry, while expenditures for new equipment have been largely limited to replacement of older machinery. The number of cotton system spindles in place have dropped about 20% in the past five years and woolen and worsted spindles

have declined at an even more rapid rate. New developments by textile machinery manufacturers such as Draper Corp. and Leesona Corp. which eliminate the shutters on looms and make the winding rooms unnecessary are also playing a major role in the evolution taking place within the textile group.

No matter how much is done on the home front to improve the situation, however, foreign competition still looms as the ogre in the picture. Attempts to mitigate the dilemma have no more than slightly stemmed the flood of textile imports to the United States. Most of the foreign goods come from Hong Kong, Japan and various European countries, especially Italy. Despite voluntary shipments quotas to the United States, which are self-enforced by Japan, a significant imbalance remains in the import-export ratio and a further widening is anticipated assuming no relief is forthcoming in the way of legislative action. The domestic industry is unable to meet competitively the low-priced textile goods now entering the country. Wage rates prevailing in Japan are one-tenth of those in this country and wages in Europe are as much as 75% lower. Adding to the industry's woes is the reduction of protective tariffs which have taken place over a period of years. Regardless of the pros and cons concerning free trade, the fact remains that the industry lost over 700 textile mills and nearly 200,000 employees in the 1946-57 period, and a fair proportion of this decline may be attributed to the import situation.

Comprehensive Statistics Comparing

Figures are in million dollars except where otherwise stated.	American Enka Corp.	American Viscose	Bigelow Sanford Inc.
CAPITALIZATION:			
Long Term Debt (Stated Value)	—	—	$ 16.0
Preferred Stocks (Stated Value)	—	—	$ 3.0
No. of Common Shares Outstanding (000)	1,329	5,118	1,022
Capitalization	$ 6.7	$ 129.6	$ 44.6
Total Surplus	$ 73.6	$ 112.9	$ 10.0
INCOME ACCOUNT: Fiscal Year Ended	1/3/60	12/31/59	12/31/59
Net Sales	$ 109.1	$ 239.8	$ 71.9
Deprec., Depletion, Amort., etc.	$ 7.9	$ 16.3	$ 2.3
Income Taxes	$ 7.1	$ 13.8	$ 1.9
Interest Charges, etc.	—	—	$ .8
Balance for Common	$ 5.7	$ 15.2	$ 1.7
Operating Margin	11.7%	10.9%	6.4%
Net Profit Margin	5.2%	6.3%	2.6%
Percent Earned on Invested Capital	7.1%	6.2%	4.9%
Earned Per Common Share	$ 4.31	$ 2.98	$ 1.73
Cash Earnings Per Share	$ 10.29	$ 6.15	$ 4.13
BALANCE SHEET: Year Ended	1/3/60	12/31/59	12/31/59
Cash and Marketable Securities	$ 5.4	$ 45.7	$ 6.9
Inventories, Net	$ 19.2	$ 41.2	$ 21.2
Receivables, Net	$ 9.2	$ 22.8	$ 9.6
Current Assets	$ 34.4	$ 109.8	$ 38.2
Current Liabilities	$ 19.5	$ 30.1	$ 6.0
Working Capital	$ 14.9	$ 79.7	$ 32.2
Current Ratio (C.A. to C.L.)	1.7	3.6	6.3
Fixed Assets, Net	$ 64.7	$ 128.6	$ 21.8
Total Assets	$ 99.1	$ 276.2	$ 61.1
Cash Assets Per Common Share	$ 4.06	$ 8.94	$ 6.78
Inventories as Percent of Sales	17.6%	17.2%	29.4%
Inventories as % of Current Assets	56.0%	37.5%	55.4%

*—Statistics on other leading companies have not been included because recent balance sheet figures have not been released yet.

Future Markets Under Study

Under Congressional authorization, a committee headed by Senator John O. Pastore of Rhode Island has investigated some of the problems of the textile industry and its preliminary findings have resulted in further detailed studies by the U.S. Department of Commerce and the International Cotton Advisory Committee. Final results will be revealed later this year but certain projections already released by the staff director of the Pastore Committee are of such import that some are outlined here. The U.S. population is expected to increase a minimum of 25% by 1970 using 1957 as a base year. However, in view of the decline in per capita consumption of textiles, the American textile market may grow only 15%, and domestic production less than 10%. The latter anticipates a rise of 350% in imports and a decline of 22% in exports. This can hardly be considered a sanguine prospect for the industry.

U.S. Civilian Per Capita Consumption of Textile Fibers
(in pounds)

	Man-Made Fibers					
Years	Total	R&A*	Other	Total	Wool	Cotton
1940-1944	32.3	4.3	—	4.3	2.9	25.1
1945-1949	34.3	5.8	0.3	6.1	4.0	24.2
1950-1954	36.0	7.2	1.3	8.5	3.2	24.3
1955-1959	34.1	6.7	3.1	9.8	2.8	21.5

Note: Figures are yearly average during years indicated.
* R&A — Rayon and Acetate.
Sources: Textile Organon.

Indicative of the attempts of those in the industry to improve the import situation was the recent proposal put forth by the Association of Cotton Textile Merchants of New York that the U.S. order all of the 16 million tons of surplus wheat and one million tons of rice that this country is sending to India be shipped in cotton bags. Since most of the grain is now shipped in bulk by ships, this would amount in effect to a subsidy for manufacturers of cotton bag fabrics.

Cotton is Still a Major Factor

Although cotton has been slipping gradually with the loss of certain markets (such as the shift from cotton bags to paper bags), it is still the most significant fiber in the group, accounting for 64% of last year's domestic mill consumption. On a per capita basis, the trend has been less defined, although the rise to 21.8 pounds in 1959 from 19.6 pounds in the previous year can not be considered indicative of a major change but rather a reflection of the eight-year high in total mill consumption reached last year. The accompanying table of average per capita consumption indicates the long-term direction better than a year-by-year com-

aring the Position of Leading Textile Companies *

gelow nford Inc.	Burlington Industries	Cannon Mills	Celanese Corp. of America	Cluett Peabody & Co.	Cone Mills	Don River Mills	Industrial Rayon	Lowenstein (M.) & Sons	Mohasco Industries	(J. P.) Stevens & Co.
16.0	$ 144.3	—	$ 98.4	$ 6.0	$ 13.4	$ 17.8	—	$ 76.0	$ 11.5	$ 55.4
3.0	$ 31.1	—	$ 103.2	$ 3.1	$ 3.7	$ 4.0	—	—	$ 7.4	—
1,022	9,007	2,030[1]	7,335	976	3,444	4,483	1,851	2,841	3,392	4,143
44.6	$ 187.3	$ 51.8	$ 253.0	$ 15.4	$ 51.6	$ 44.3	$ 1.8	$ 78.8	$ 35.9	$ 119.0
10.0	$ 297.3	$ 83.0	$ 89.3	$ 42.4	$ 76.8	$ 67.1	$ 69.9	$ 80.4	$ 44.0	$ 161.6
31/59	10/3/59	12/31/59	12/31/59	12/31/59	12/31/59	1/4/60	12/31/59	12/31/59	12/31/59	10/31/59
71.9	$ 805.4	$ 207.0	$ 265.2	$ 111.8	$ 190.3	$ 173.7	$ 62.0	$ 259.6	$ 101.1	$ 459.4
2.3	$ 21.1	$ 3.2	$ 18.8	$ 1.0	$ 4.8	$ 5.7	$ 4.2	$ 5.0	$ 2.4	$ 11.1
1.9	$ 29.7	$ 11.8	$ 23.6	$ 5.4	$ 5.1	$ 8.4	$ .8	$ 3.0	$ .5	$ 7.1
.8	$ 5.5	—	$ 3.5	$ .4	$ .8	$ 1.1	—	$ 3.2	$ .6	$ 3.4
1.7	$ 26.3	$ 10.2	$ 17.9	$ 3.5	$ 5.0	$ 8.1	$ .8	$ 4.8	$ 10.2	$ 18.7
6.4%	7.8%	10.0%	17.8%	10.0%	5.8%	7.3%	.4%	4.2%	9.9%	6.0%
2.6%	3.4%	5.0%	8.5%	3.3%	2.7%	4.7%	1.2%	1.8%	10.4%	4.0%
4.9%	8.1%	7.6%	9.2%	7.2%	4.5%	8.9%	1.1%	5.7%	15.4%	8.3%
1.73	$ 2.72	$ 5.04	$ 2.44	$ 3.61	$ 1.47	$ 1.81	$ .45	$ 1.69	$ 3.03	$ 4.52
4.13	$ 5.03	$ 6.61	$ 5.66	$ 4.92	$ 2.94	$ 3.13	$ 2.20	$ 3.45	$ 3.84	$ 7.20
1/59	10/3/59	12/31/59	12/31/59	12/31/59	12/31/59	1/4/60	12/31/59	12/31/59	12/31/59	10/31/59
6.9	$ 20.9	$ 56.1	$ 39.1	$ 4.8	$ 8.2	$ 7.3	$ 16.9	$ 8.8	$ 5.6	$ 12.6
21.2	$ 183.1	$ 45.2	$ 34.1	$ 31.9	$ 54.2	$ 45.8	$ 17.7	$ 81.0	$ 32.7	$ 116.3
9.6	$ 133.9	$ 28.8	$ 30.0	$ 20.1	$ 23.5	$ 44.4	$ 5.6	$ 30.5	$ 12.7	$ 82.6
38.2	$ 348.4	$ 130.2	$ 111.1	$ 56.8	$ 85.9	$ 98.7	$ 44.3	$ 121.7	$ 52.0	$ 211.6
6.0	$ 90.7	$ 27.2	$ 30.1	$ 8.8	$ 21.5	$ 33.3	$ 6.4	$ 16.4	$ 10.6	$ 67.6
2.2	$ 257.7	$ 103.0	$ 81.0	$ 48.0	$ 64.4	$ 65.4	$ 37.9	$ 105.3	$ 41.4	$ 144.0
6.3	3.8	4.7	3.6	6.4	4.0	3.0	6.9	7.4	4.9	3.1
1.8	$ 225.1	$ 30.7	$ 161.4	$ 7.5	$ 60.7	$ 51.0	$ 33.8	$ 52.2	$ 35.7	$ 120.9
1.1	$ 590.4	$ 162.5	$ 378.1	$ 67.9	$ 152.4	$ 151.3	$ 78.2	$ 176.3	$ 98.0	$ 345.9
6.78	$ 2.32	$ 27.65[1]	$ 5.34	$ 4.95	$ 2.39	$ 1.64	$ 9.14	$ 3.11	$ 1.65	$ 3.04
9.4%	22.7%	21.8%	12.8%	28.5%	28.4%	26.3%	28.4%	31.2%	32.3%	23.3%
5.4%	52.6%	34.7%	30.7%	54.4%	63.1%	46.6%	40.0%	66.5%	62.9%	54.9%

1—Combined voting shares and class "B" shares.

parison.

An aid to mill margins over the near term should be the relatively low raw cotton prices at present, about 6% below those at the same time last year. This is especially important to the textile manufacturers as raw cotton accounts for about 50% of the cost of print cloth.

Mill margins have been increasing steadily since July 1958 reaching a high of 34.18 cents per pound in February of this year, 58% above the 21.65 cents at the beginning of the present cycle. This is an especially important indicator not only from the textile industry standpoint but also as a signal for business activity. Based on a ten-year correlation of mill margins, mill production and industrial production, changes in the mill margin figure have signalled changes in the other two indices with lead times of no more than six months. As mentioned earlier, the mill margin figure declined very slightly in March and the changes over the next few months should be followed closely for an indication of a shift in the trend.

Another bellwether of the industry is the price of unfinished 80-square cotton print cloth. Because of its heavy use in lower-priced apparel, this figure is of more than passing interest to those connected with the textile field. In December, 1958, the price of this cloth reached 18 cents a yard (the highest level since March 1957) and steadily continued its rise to a high of 23 cents a yard but recently has slipped back to 20.75 cents a yard. The downward change in this figure, if continued, is not a very optimistic prospect for mill producers in general.

Synthetic Fibers Gaining

Up to this point, we have been discussing that part of the industry connected with natural fibers. This is still the major segment as far as production and consumption is concerned, but it is in certain of the synthetic fiber areas that the possibilities for growth are higher. Synthetics, especially the non-cellulosic type (nylon, Orlon, Acrilan, Dacron) have contributed to competition within the industry.

Nylon, in particular, has grown very rapidly in the industrial fiber field, especially in tire cord where a current battle is raging. This fiber has replaced rayon in certain areas and it may be difficult for the rayon manufacturers to stem the tide for any length of time. Other synthetic fibers where production is increasing rapidly include *Orlon* and *Dacron*, both duPont products. Most of the non-cellulosic fibers are produced by chemical companies such as **Allied Chemical, American Cyanamid, Dow** and **duPont**. Another important manufacturer, **Chemstrand Corp.**, is not publicly owned but is jointly held by Monsanto Chemical and American Viscose.

The cellulosic fibers (*rayon and acetate*) market is already fairly mature and, in certain areas such as rayon tire cord, the rayon manufacturers have been affected by competition. An advertising campaign on behalf of Tyrex (an improved rayon tire cord) has been underway during the past year under a $2 million budget set up by the rayon interests but the nylon producers are also expected to be aggressive competitors in displaying their wares to the public. The rela- *(Please turn to page 340)*

FOR PROFIT AND INCOME

Still Mixed

Except for a rally in the long-depressd aircraft issues and in some other "defense" stocks, the blow-up of the Summit conference has had no great effect on the stock market up to this writing. While the averages have improved within a trading-range framework, the daily ups and downs in individual stocks have remained fairly closely balanced, and so have the new highs and lows. It's a jumbled, shifting market, difficult for seekers of capital gain, even though sizable numbers of issues are faring well. Some in technically-indicated uptrends at this time are American Chicle, Beneficial Finance, Bendix, Campbell Soup, Central & South West, Cessna Aircraft, Emerson Electric, Gimbel, Hammond Organ, Idaho Power, McGraw-Hill, National Biscuit, Owens-Corning Fiberglas, and Ranco, Inc.

Weak

Some of the many stocks now performing significantly worse than the market are American Agricultural Chemical, American Standard, Armstrong Rubber, Atlantic Refining, Case, Champion Paper, Cities Service, Glidden, Halliburton, Homestake, Liggett & Myers, Lorillard, Mead Corp., Royal Dutch and Standard Oil of Ohio.

Stock Groups

Previously laggard or so-so stock groups rallying more than the industrial list at this time are, in addition to aircrafts, aluminum, automobiles, chemicals, coppers, farm equipments, machine tools, metal fabricating, motion pictures, rail equipments, shipbuilding, steels, textiles and tires. Among previously favored groups currently outgaining the market are food brands, electronics-radio-television, printing equipment and publishing, soft drinks and variety stores. Following good gains, bank stocks, most retailing groups and utilities are lagging at present. Others faring worse than the market now and heretofore are air lines, auto parts, building materials, gold mining, oils and paper.

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1960	1959
General Refractories	Quar. Mar. 31	$ .62	$ .36
United Biscuit Co. of Amer.	Quar. Mar. 31	.50	.16
Amer. Broadcasting-Para. Theat.	Quar. April 2	.80	.54
Cream of Wheat Corp.	Quar. Mar 31	.83	.59
Kaiser Aluminum & Chem.	Quar. Mar. 31	.41	.20
Winn-Dixie Stores	40 weeks Apr. 2	1.90	1.68
General Railway Signal	Quar. Mar. 31	.43	.33
Heyden Newport Chemical	Quar. Mar. 31	39	.27
New York Central R. R.	Quar. Mar. 31	.51	.03
American Distilling	Quar. Mar. 31	1.03	.78

Defense Stocks

If the increased cold-war tension continues, as seems likely, defense spending probably will be boosted, despite present official statements to the contrary, and whether by the Eisenhower Administration or its successor. So defense stocks may well rally further. Of course, they are highly speculative—but what is assuredly safe in a fool-proof sense in the present world situation. The only alternatives appear to be cold war, with an uneasy balance of power, or hot war. If it came to the latter on an all-out basis, nothing would be worth a hoot, incluling money in the bank. Meanwhile, people have to carry on, hoping for the best—speculating or investing with fingers crossed. The only certainty in the world prospect is uncertainty.

Oil

The head of Sinclair Oil recently lectured the industry on the folly of continuing over-production and urged adequate cutbacks. Various other oil executives have delivered the same lecture heretofore from time to time. But always it comes down mainly to "let the other fellow do it." So the cuts are too small and too late — and the glut continues. No one can say when or how balance will be restored, or where oil stocks will finally bottom out. Their adjustment is already so far advanced, that little might be gained by selling at least the major issues; but a confident basis for new buying cannot be cited; though some show better demand now.

Exception

Strength in an oil stock these days is news — like man bites dog. The stock of Anderson-Prichard Oil, one of the smaller companies, is now around 42 at a new 1958-1960 high and little under 1956 all-time top of 43½. The company's record is fair, but behavior of the stock cannot be related to earnings, dividends or yield. The issue is worth more in a merger than "on its own," and has risen on merger rumors. Only insiders can know whether a deal has been cooked up or is near.

Copper

The chairman of Anaconda Co. warns of excess world production developing shortly and requiring curtailment of mine operations. Unlike oil, a copper glut tends in some degree to be self-corrective. It brings lower prices and eventual losses for high-cost marginal producers, who then halt production. That is the main corrective, although big producers are more realistic in planned cutbacks than are oil companies. The price of copper appears vulnerable, and the stocks always follow the metal's prices, with no great attention to latest quarterly earnings or dividend yields.

Air Lines

The air lines say they need higher fares, and moderate relief is expected to be granted by the Civil Aeronautics Board. A member of the Board — Alan S. Boyd — says the lines should lower fares and improve service if they expect to fill their new jets and stop losing money. While the stocks may rally, they remain basically speculative. On a long-view, it is a rising-cost, increasingly competitive business. There is a ceiling on rates, no floor under them. Unlike utilities, no company has a regional or area monopoly.

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1960	1959
Champlin Oil & Refin.	Quar. Mar. 31	$ .43	$ .52
Thiokol Chemical Corp.	Quar. Mar. 31	.18	.29
Texas Gulf Sulphur	Quar. Mar. 31	.27	.32
General Baking	13 weeks Mar. 26	.03	.24
Wagner Electric	Quar. Mar. 31	.52	.78
Caterpillar Tractor	Quar. Mar. 31	.32	.40
Chance Vought Aircraft	Quar. Mar. 31	.74	1.27
Armstrong Cork Co.	Quar. Mar. 31	.75	.83
Dr. Pepper Co.	Quar. Mar. 31	.03	.07
Chicago Rock. Is. & Pac.	3 mos. Mar. 31	.56	.64

Rail Mergers

Announcement of agreement on terms for merger of Seaboard Air Line Railroad with Atlantic Coast Line has further stirred interest in the trend toward railroad mergers. It will be a slow trend, regardless of a few combinations here and there. Those effected will be helpful in cost cutting — but it will remain a non-growth, more or less sick industry, which is why there is pressure for mergers. A crutch aids but does not cure a cripple. In the first four months of this year, industrial production averaged nearly 7% above the year-ago level, but railroad cardloadings were appreciably under the year-ago level. Thus, as usual, trucks, water-way carriers and air lines got more of the business. Speculative money can be made in rails at times by nimble traders. They are not for investors or unsophisticated speculators.

Montgomery Ward

In the issue of last September 2 the opinion was ventured in this department that Montgomery Ward, at 53, was too high on possible 1959 earnings of $2.45 to $2.55 a share. They turned out to be $2.28, up only from $2.08 in the previous year; and might do well to reach $2.50 or so this year. Meanwhile, the stock reacted from a high of 53½ to 42½ and has currently rellied to 46½ — while other retail issues recommended here — Associated Dry Goods, Gimbel, Grant, among others — went on to new highs in earnings and market values. Ward is spending a great deal of money on belated, high-cost expansion. If it finally pays off, the company may derive benefits comparable to those already attained by other retailers. At 18.6 times guess-estimated current-year earnings, the stock remains priced as if big gains were both assured and not too distant. They may not be assured, and at best they would be some time ahead.

Ford

Ford Motor Company might have fared worse by staying out of the compact-car market, in which its Falcon is by far the

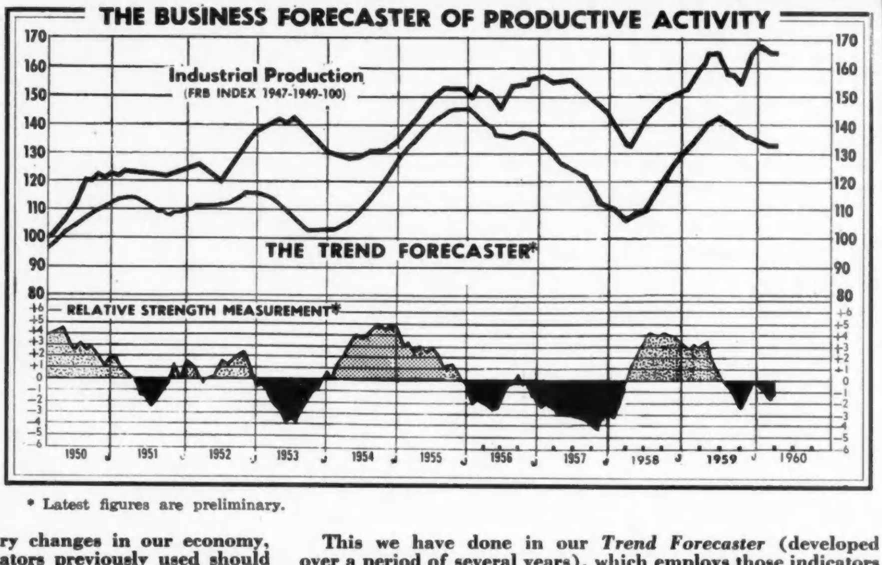
(Please turn to page 342)

the Business

Business Trend Forecaster

INTERESTING TO NOTE — Sharp divergence between industrial output and underlying business trends in early 1960, denoting heavy accumulation of inventories.

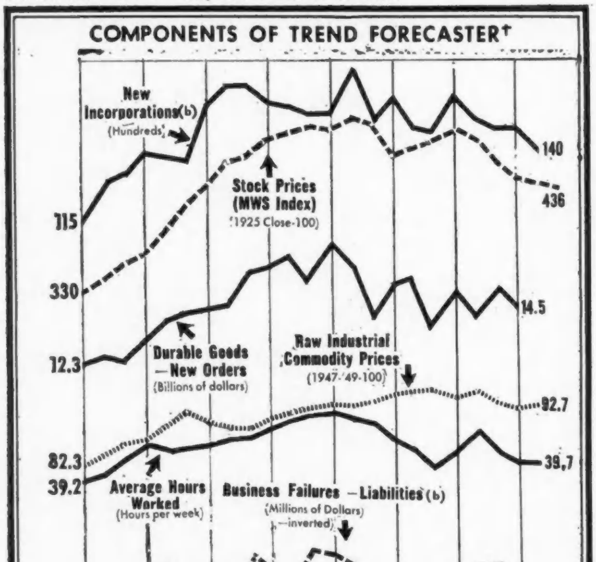
THE BUSINESS FORECASTER OF PRODUCTIVE ACTIVITY



* Latest figures are preliminary.

With the many revolutionary changes in our economy, it was evident that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends.

COMPONENTS OF TREND FORECASTER†



(†)—Seasonally adjusted except stock and commodity prices.
(a)—Computed from F. W. Dodge data.
(b)—Computed from Dun & Bradstreet data.

This we have done in our *Trend Forecaster* (developed over a period of several years), which employs those indicators (see Components of Trend Forecaster) that we have found to most accurately project the business outlook.

As can be seen from the chart, industrial activity in itself is not a true gauge of the business outlook — the right answer can only be found when balanced against the state of our economy. The *Trend Forecaster* line does just that. When it changes direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

We believe that subscribers will find our Business Trend Forecaster of increasing usefulness both from the investment and business standpoints.

Current Indications of the Forecaster

The leading business indicators continue to drift within a narrow range. In the latest month for which data is available, four of the components of the Trend Forecaster were moderately lower and these included stock prices, liabilities of business failures (inverted), new orders and new incorporations. Uptrends were noted for nonresidential construction contracts and raw industrial raw materials, while housing starts and hours worked showed little change.

The Relative Strength Measure, after a gradual decline in the earlier months of this year, has now recovered somewhat, but is still in the minus one area, where it continues to forecast a period of stability for over-all business that should persist at least into Fall.

The current position of the Relative Strength Measure bears a close resemblance to its posture in late 1956, when business was approaching a top, but remained at a high level for another seven months.

Analyst

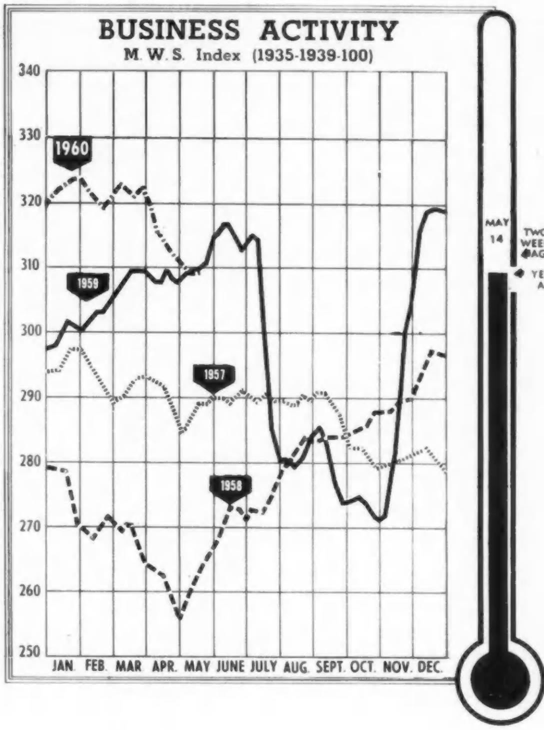
CONCLUSIONS IN BRIEF

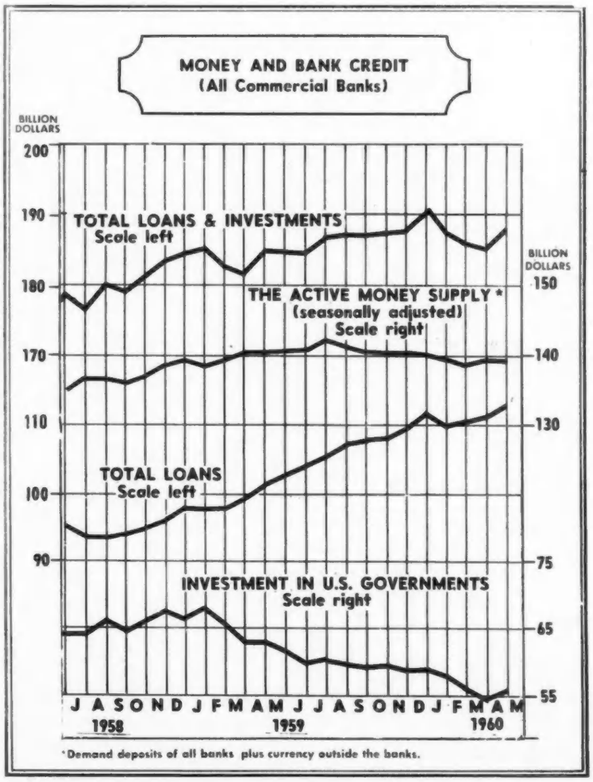
PRODUCTION—Increased output of autos, furniture, tv sets and consumer nondurables, is counterbalancing further cuts in steel production. Rise in consumption plus further additions to inventory should push output somewhat higher in the months ahead.

TRADE—Retail sales have eased slightly, after a sharp spurt induced by previously deferred demand. Look for further moderate gains in consumption as disponsable income remains at high level.

MONEY & CREDIT—Bond prices depressed by fears that international tension would lead to increased defense outlays and unbalanced budget, but easy Fed. Reserve credit policy and improved corporate liquidity could spark a good recovery.

COMMODITIES—Sensitive commodities strengthen, but prices in general show little change. Continued drop in the nation's money supply militates against any sharp increase in the price level.





PUBLIC opinion regarding the business outlook has turned rather optimistic in recent weeks, in the wake of reported improvement in those indicators which are of the greatest interest to the average citizen. It has been widely noted that retail sales, employment and personal income all scored emphatic gains in April, although the artificial nature of some of this improvement has received less attention. The collapse of the Summit Conference has also created the impression that heightened tension would lead to greater defense spending, and thus provide business with a stimulant it could use at this time. On the basis of these developments, some commentators are beginning to talk of a new business boom in the making, although careful analysis reveals little basis for this conclusion.

On the domestic front, it will be noted that the strong indicators in April all fall into the category of late-movers which are normally buoyant at the tail-end of a business upturn. Furthermore, the areas reporting the big gains were stimulated by artificial factors which turned what otherwise would have been moderate advances into sharp expansion. Retail sales, for instance — up by $600 million in April—were swollen by demand that had been deferred because of earlier bad weather. Comparisons with 1959 results were further distorted by the recent inclusion of sales for Alaska and Hawaii, adding some $75 million a month to the total.

That the April gains were somewhat extreme, is already evident from the fact that department store

(Please turn to the following page)

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION * (FRB)	1947-'9-100	Apr.	165	165	162
Durable Goods Mfr.	1947-'9-100	Apr.	173	175	171
Nondurable Goods Mfr.	1947-'9-100	Apr.	159	157	155
Mining	1947-'9-100	Apr.	128	125	129
RETAIL SALES*	$ Billions	Apr.	18.9	18.3	18.0
Durable Goods	$ Billions	Apr.	6.3	6.0	6.1
Nondurable Goods	$ Billions	Apr.	12.6	12.3	11.8
Dep't Store Sales	1947-'9-100	Apr.	151	140	141
MANUFACTURERS'					
New Orders—Total*	$ Billions	Mar.	30.1	30.6	30.2
Durable Goods	$ Billions	Mar.	14.5	14.8	15.3
Nondurable Goods	$ Billions	Mar.	15.6	15.8	14.9
Shipments*	$ Billions	Mar.	30.8	31.6	29.1
Durable Goods	$ Billions	Mar.	15.2	15.7	14.4
Nondurable Goods	$ Billions	Mar.	15.6	15.9	14.7
BUSINESS INVENTORIES, END MO.*	$ Billions	Mar.	92.2	91.4	86.6
Manufacturers'	$ Billions	Mar.	54.3	53.9	50.5
Wholesalers'	$ Billions	Mar.	12.8	12.7	12.0
Retailers'	$ Billions	Mar.	25.1	24.8	24.2
Dept. Store Stocks	1947-'9-100	Mar.	159	159	148
CONSTRUCTION TOTAL(†)	$ Billions	Apr.	52.4	53.2	56.0
Private	$ Billions	Apr.	37.0	38.0	38.9
Residential	$ Billions	Apr.	20.0	21.0	23.4
All Other	$ Billions	Apr.	17.0	17.0	15.5
Housing Starts*—a	Thousands	Apr.	1135	1125	1434
Contract Awards, Residential—b	$ Millions	Apr.	1480	1294	1831
All Other—b	$ Millions	Apr.	1880	1753	1847
EMPLOYMENT					
Total Civilian	Millions	Apr.	66.2	64.3	65.0
Non-Farm *	Millions	Apr.	53.0	52.4	51.4
Government *	Millions	Apr.	8.6	8.5	8.1
Trade *	Millions	Apr.	11.5	11.3	11.1
Factory *	Millions	Apr.	12.3	12.4	12.2
Hours Worked	Hours	Apr.	39.7	39.4	40.3
Hourly Earnings	Dollars	Apr.	2.28	2.29	2.23
Weekly Earnings	Dollars	Apr.	89.83	90.91	89.87
PERSONAL INCOME*	$ Billions	Apr.	397	394	379
Wages & Salaries	$ Billions	Apr.	271	269	257
Proprietors' Incomes	$ Billions	Apr.	59	58	59
Interest & Dividends	$ Billions	Apr.	39	38	34
Transfer Payments	$ Billions	Apr.	28	28	27
Farm Income	$ Billions	Apr.	15	15	16
CONSUMER PRICES	1947-'9-100	Mar.	125.7	125.6	123.7
Food	1947-'9-100	Mar.	117.7	117.4	117.7
Clothing	1947-'9-100	Mar.	108.8	108.3	107.0
Housing	1947-'9-100	Mar.	131.3	130.8	128.7
MONEY & CREDIT					
All Demand Deposits*	$ Billions	Apr.	111.2	111.1	112.2
Bank Debits*—g	$ Billions	Apr.	95.3	96.8	93.7
Business Loans Outstanding—c	$ Billions	Apr.	31.8	31.9	32.4
Instalment Credit Extended*	$ Billions	Mar.	4.2	4.2	38.1
Instalment Credit Repaid*	$ Billions	Mar.	3.7	3.7	34.6
FEDERAL GOVERNMENT					
Budget Receipts	$ Billions	Mar.	9.6	7.3	8.4
Budget Expenditures	$ Billions	Mar.	6.4	6.2	6.5
Defense Expenditures	$ Billions	Mar.	3.9	3.7	4.0
Surplus (Def) cum from 7/1	$ Billions	Mar.	(2.6)	(5.8)	(11.0)

PRESENT POSITION AND OUTLOOK

trade in the first two weeks of May dropped below year-ago levels. Also, the gain in dollar volume of auto sales in the first ten days of this month failed to come up to seasonal expectations.

The April increases in employment and personal income also were greatly exaggerated by comparison with the previous month. Here again, the severe weather conditions that prevailed at the time of the March employment survey made for an artificially low reading, which also affected the income data for the month. The return of more normal conditions in April, coupled with moderate secular gains for these series, made the resultant rebound look much better than it actually was. Of greater ultimate significance for the economy, however, was the trend of such a reliable prognosticator as hours worked, which declined again in April, for the fourth consecutive month.

Meanwhile, other indicators that foreshadow changes in business have still failed to give any bullish signals, although April data for the most significant of these—manufacturers' new orders and sales—are yet to appear, and will be studied carefully for any signs of a change in trend.

On the international front, Russia already appears to be retreating from her belligerent antics at the abortive Summit meeting, which were probably adopted to divert attention from internal weaknesses. However, even if Russian intransigeance were to persist, any increase in our defense outlays, according to present indications, would not be large enough to significantly affect business in general, although it would be important to individual industries.

What all these developments add up to, is more or less the mixture as before, with many cross-currents in evidence, while the economy continues its slow and somewhat laborious advance. At the same time, if what we are now witnessing is the formation of an important top for business, then general optimism regarding the outlook should expand sharply as

and Trends

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	—1960— Quarter I	———1959——— Quarter IV	Quarter III	Quarter I
GROSS NATIONAL PRODUCT	500.2	483.5	478.6	470.4
Personal Consumption	321.1	317.0	313.3	303.9
Private Domestic Invest.	79.2	69.7	67.0	70.0
Net Exports	1.2	—0.6	0.0	—0.9
Government Purchases	98.8	97.4	98.4	97.4
Federal	52.3	52.7	53.6	53.8
State & Local	46.5	44.7	44.8	43.6
PERSONAL INCOME	393.1	386.8	381.0	371.8
Tax & Nontax Payments	47.7	46.1	45.8	44.4
Disposable Income	345.4	340.8	335.2	327.4
Consumption Expenditures	321.1	317.0	313.3	303.9
Personal Saving—d	24.3	23.7	21.9	23.5
CORPORATE PRE-TAX PROFITS		45.7	46.4	46.5
Corporate Taxes		22.2	22.6	22.6
Corporate Net Profit		23.4	23.8	23.8
Dividend Payments	13.6	13.6	13.4	12.8
Retained Earnings		9.8	10.4	11.1
PLANT & EQUIPMENT OUTLAYS	35.3	33.6	33.4	30.6

THE WEEKLY TREND

	Unit	Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	May 14	309.8	309.8	309.9
MWS Index—per capita*	1935-'9-100	May 14	225.1	225.1	228.0
Steel Production	% of Capacity	May 21	71.7	73.8	93.4
Auto and Truck Production	Thousands	May 21	197	182	170
Paperboard Production	Thousand Tons	May 14	311	313	323
Paperboard New Orders	Thousand Tons	May 14	304	346	383
Electric Power Output*	1947-'49-100	May 14	270.2	267.0	255.4
Freight Carloadings	Thousand Cars	May 14	640	642	694
Engineerings Constr. Awards	$ Millions	May 19	498	386	468
Department Store Sales	1947-'9-100	May 14	134	156	137
Demand Deposits—c	$ Billions	May 11	58.7	58.9	60.4
Business Failures—s	Number	May 12	304	327	311

PRESENT POSITION AND OUTLOOK

the peak is approached, for it has been an oft-proven rule that public confidence is at its highest just when conditions are about to deteriorate.

* * *

DEBTS — both public and private — expanded at a record rate last year, and net debt rose by $65.5 billion, to reach $846.5 billion at year-end. Last year's rise in production and sales involved greater borrowing to finance increased purchases of inventories, larger outlays for new plant and equipment and record sales of new dwellings. Furthermore, spending by both the Federal and local governments exceeded receipts, so they also had to increase their borrowing.

Although economic expansion usually brings greater debt in its wake, what is disquieting is the fact that borrowing rose faster than output. Thus net debt rose by $66.7 billion, or 8.5% last year while the GNP was only $29.8 billion higher, a gain of less than 6%. If borrowing continues to increase at a faster rate than output, it will raise a serious question as to whether the long-term uptrend of the economy is losing some of its steam.

***Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge unadjusted data. (c)—Weekly reporting member banks. (d)—Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. (na)—Not available. (r)—Revised. (s)—Data from Dun & Bradstreet.** (t)—Seasonally adjusted, annual rate. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1960 High	1960 Low	1960 May 13	1960 May 20
Composite Average	482.5	429.5	435.9	440.5
4 Agricultural Implements	424.3	346.4	363.7	376.7
3 Air Cond. ('53 Cl.—100)	130.1	110.9	113.5	116.0
9 Aircraft ('27 Cl.—100)	1116.1	861.9	906.1	994.5
7 Airlines ('27 Cl.—100)	1044.6	780.7	846.7	868.7
4 Aluminum ('53 Cl.—100)	521.3	437.9	464.0	458.7
5 Amusements	248.0	209.3	248.0	248.0
5 Automobile Accessories	531.1	444.4	455.2	460.6
5 Automobiles	157.0	112.3	115.4	112.3
3 Baking ('26 Cl.—100)	39.1	34.9	36.0	36.0
4 Business Machines	1317.2	1172.3	1317.2	1317.2
6 Chemicals	785.6	689.4	713.4	721.4
4 Coal Mining	36.0	30.4	31.1	30.4L
4 Communications	229.9	209.1	213.7	213.7
9 Construction	169.2	158.9	164.1	160.6
5 Container	1064.7	949.9	949.9	960.3
5 Copper Mining	337.7	298.4	304.9	298.4
2 Dairy Products	170.0	146.8	168.4	170.0H
5 Department Stores	145.2	135.2	145.2	143.8
5 Drugs-Eth. ('53 C.—100)	421.9	386.8	417.5	417.5
5 Elect. Eqp. ('53 Cl.—100)	377.3	332.9	366.2	377.3H
3 Finance Companies	689.0	648.8	689.0	675.6
5 Food Brands	446.1	419.3	437.2	437.2
3 Food Stores	270.8	250.2	260.5	257.9

(Nov. 14, 1936 Cl.—100)	High	Low	May 13	May 20
High Priced Stocks	299.9	271.9	278.6	280.8
Low Priced Stocks	653.8	564.1	567.2	571.3
5 Gold Mining	1064.2	881.7	881.7	922.3
4 Investment Trusts	170.6	145.0	146.7	146.7
3 Liquor ('27 Cl.—100)	1534.5	1203.5	1218.6	1218.6
7 Machinery	512.8	460.5	476.2	476.2
3 Mail Order	446.1	386.9	396.0	400.6
4 Meat Packing	286.8	226.7	234.9	237.6
4 Mtl. Fabr. ('53 Cl.—100)	208.6	162.5	162.5	166.5
9 Metals, Miscellaneous	399.1	320.8	339.4	335.7
4 Paper	1237.1	994.8	994.8	982.1
16 Petroleum	736.9	631.6	631.6	631.6
16 Public Utilities	358.9	341.6	355.5	358.9H
6 Railroad Equipment	99.8	87.8	92.8	92.8
18 Railroads	70.1	58.0	58.0	60.0
3 Soft Drinks	792.0	690.3	792.0	792.0
11 Steel & Iron	464.9	362.6	376.6	381.2
4 Sugar	100.9	74.1	76.9	75.0
2 Sulphur	655.9	563.1	581.7	594.0
11 TV & Electron. ('27—100)	110.7	96.6	108.5	110.7H
5 Textiles	223.0	187.7	189.9	192.1
3 Tires & Rubber	255.9	204.2	214.6	224.9
5 Tobacco	190.0	182.5	186.2	186.2
3 Variety Stores	371.2	352.9	367.5	367.5
14 Unclassif'd ('49 Cl.—100)	295.1	250.3	250.3	258.2

H—New High for 1960. L—New Low for 1960.

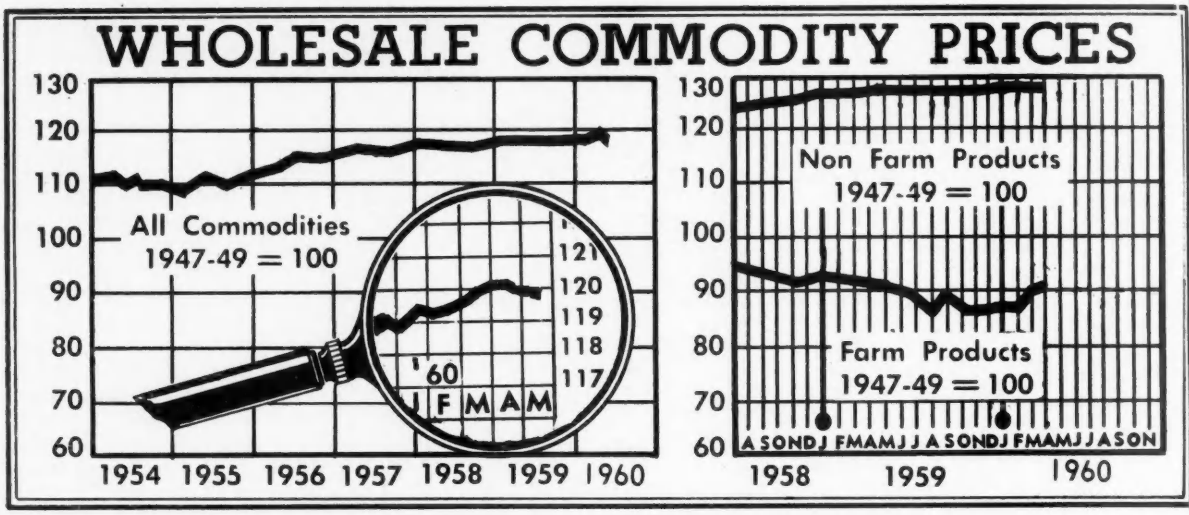
Trend of Commodities

SPOT MARKETS—Sensitive commodities continued to advance moderately in the two weeks ending May 20. The BLS daily index of 22 leading commodities rose 0.7% and the subcomponents of the index, with the sole exception of the metals, all advanced. Strength in some imported materials appeared to stem from precautionary buying induced by the recent flare-up on the international scene. Raw industrial materials gained 1.1% during the period, with burlap, hides, print cloth, rubber and tin all moving higher, while copper scrap and wool tops lost ground.

Meanwhile, the rank and file of commodities remained in the doldrums despite Russian bellicosity and the BLS comprehensive weekly wholesale price index was at the same level on May 7 as two weeks earlier.

FUTURES MARKETS—Commodity futures prices were moderately higher in the two weeks ending May 20, with international developments sparking precautionary buying. Wheat, corn, soybeans, cotton, coffee, rubber, copper and lead all advanced while only lard, wool, cocoa and hides were lower. However sizeable declines in some of the weak commodities restricted the advance in the Dow-Jones Futures Index 0.57 points.

Wheat futures posted small gains in the period under review. Reports that dry weather was tarnishing crop prospects and that exports were continuing to expand, encouraged holders of wheat and brought in new buying. However, with the harvest of the new crop not far off, temporary pressure on prices may be in the offing, although the longer term trend appears to be higher.



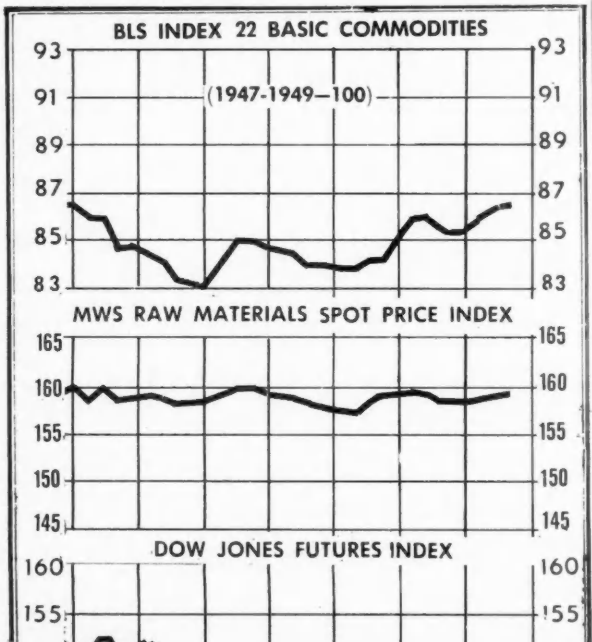
BLS PRICE INDEXES 1947-1949—100	Date	Latest Date	2 Weeks Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	May 17	119.8	119.8	119.9	60.2
Farm Products	May 17	90.7	90.7	90.8	51.0
Non-Farm Products	May 17	128.4	128.4	128.4	67.0
22 Sensitive Commodities	May 20	86.5	85.9	88.1	53.0
9 Foods	May 20	77.2	77.0	82.8	46.5
13 Raw Ind'l. Materials	May 20	93.5	92.5	91.9	58.3
5 Metals	May 20	93.1	93.2	94.3	54.6
4 Textiles	May 20	82.3	81.8	78.7	56.3

MWS SPOT PRICE INDEX
14 RAW MATERIALS
1923-1925 AVERAGE—100
AUG. 26, 1939—63.0 Dec. 6, 1941—85.0

	1960	1959	1953	1951	1941
High of Year	160.0	161.4	162.2	215.4	85.7
Low of Year	157.5	152.1	147.9	176.4	74.3
Close of Year		158.3	152.1	180.8	83.5

DOW-JONES FUTURES INDEX
12 COMMODITIES
AVERAGE 1924-1926—100

	1960	1959	1953	1951	1941
High of Year	148.7	152.7	166.8	215.4	84.6
Low of Year	144.5	144.2	153.8	174.8	55.5
Close of Year		147.8	166.5	189.4	84.1



Electric Utilities Combine Defensive, Dynamic Roles

(Continued from page 321)

Institute has estimated that during the coming decade the annual rate of increase will average about 6.8% which seems to be a conservative estimate. As shown in the following table, the South Central section of the country is expected to have the biggest rate of increase, followed by the Southeastern states. Gains will, of course, be somewhat dependent on the rate of family formation and construction of new homes, as well as the number of business recessions encountered and their duration.

Average Annual Compounded Rate Of Increase In Estimated KWH Output

		1950-59	1959-70	1970-80
I	Northeast		6.2%	5.6%
II	East Central		6.1	6.3
III	Southeast		9.1	7.5
IV	North Central		6.0	6.2
V	South Central		9.6	8.4
VI	West Central		8.4	8.1
VII	Northwest		7.0	5.9
VIII	Southwest		6.7	5.6
	U. S.	8.2%	6.8%	6.6%

The Electrical World has predicted that another 13 million new customers should be added in the next decade, almost the same number as in the one just ended. About two-thirds of anticipated sales growth should come from increased saturation of existing appliances, and the addition of new customers using such appliances. The remaining third should result from increased usage by heating and cooling customers, together with sales of electricity to service newly developed appliances now in the laboratory stage of development.

Electric Living — The outlook seems bright for sales of new appliances; it is forecast that nearly 10% more dishwashers will be sold this year than in 1959, 7% more built-in ranges, and 5% more clothes washers. The electric utility industry is planning to spend some $30 million this year in advertising to promote "electric living." In recent years the development of air-conditioning has been important, but more from the viewpoint of peakload than annual consumption; it has shifted the peakload for most southern companies from winter to summer. Use of air-conditioning is still gaining, but electricity now has to fight against improved gas appliances such as the Arkla-Servel. The heat-pump has proved somewhat disappointing in the north, although many are being installed in the south, and they are being adopted for public school use. In the north, the heat-pump is being superseded by resistance heating in baseboards (or radiant heating in the floor or ceiling) coupled with extra insulation and individual room thermostats.

The electric utilities are cooperating with contractors who are building new developments of "all-electric homes." **General Public Utilities** is reported to be interested in the construction of 6,000

such homes in New Jersey.

It is estimated that at the end of 1959 there were nearly 700,000 space heating installations in this country—including both resistance heating and the heat pump, and both residential and commercial installations — and by the end of 1960 the total may be 822,000.

An average-size home in a moderate climate uses about 20,000 kilowatt hours annually, if electric heating and cooling are added to normal uses; thus the new load would be about six times the old. By 1969, with the increasing use of heating, air conditioning, etc., the average annual residential bill may approximate $160, up nearly 80% from last year's $89 (in the past decade the increase was 80%).

Commercial sales also have good possibilities. Air conditioning installations are being made in many old buildings—for example, American Tel & Tel's huge headquarters building at 195 Broadway, New York, is now being air-conditioned. Bigger freezers are being installed for food handling firms. Higher lighting standards are being adopted by many commercial establishments and street lighting is being stepped up to help combat crime. Newly constructed office buildings are reported to use about three times as much electricity as the buildings they replaced. Sales of electricity for commercial cooking are also increasing.

An important new use of electricity which may develop from zero load to a very respectable total is the re-development of electric cars and trucks. Charles Hochgesang, Editor of the Electrical World, has worked out some statistics to show that if the electric car had won its race with the gas engine car early in the century, and if all autos were now operated by battery, it would require some 625 billion kwh per annum to charge car batteries or just about as much electricity as was generated for all other purposes in 1958.

Despite some unfortunate experience with the first of the new electric cars—the Stinson "Charles Town-About"—substantial orders have been placed for the new Eureka-Williams electric car. It is understood that Chairman England of Atlantic City Electric and some other utility executives have placed orders for electric cars or trucks for their companies' fleets of service cars, in order to lend their support to the enterprise. J. C. Furnas reported in The Saturday Evening Post that "with streamlined bodies and updated innards, new electric trucks and passenger cars are rolling now in Atlantic City, Detroit, Cleveland and Spokane, and in several towns of France and England."

To meet these increased demands the industry must continue to build. According to the latest electric power survey of the Edison Electric Institute, generating capacity will be increased about 7.5% this year. Some 12 million kw of new capacity will be installed, raising the total to 170,500,000 kw. (Last year a record 15.3 million kw was added). The industry now has 42 million of new capacity definitely scheduled for operation, over 90% of which will be installed by the end of 1963. At the end of that year total generating capability is estimated at 203 million kw, including public power. Last December the industry had about 27.6% spare capacity (in excess of peak load) and hence construction is not expected to keep pace with the increase in peak load—the summer margin in 1963 will drop to 21.1%, it is forecast, and the winter to 23.6%.

Atomic Power—Rapid progress is now being made in completing some of the "first generation" atomic power plants. The **Shippingsport Plant** has been operating for some time but this had extremely high construction costs. The **Dresden Plant in Illinois,** built by **General Electric** for a group of utilities headed by **Commonwealth Edison,** is now undergoing commercial tests and should be ready for full operation in another

month or so. Construction of **Con Ed's** big plant at **Indian Point up the Hudson** is well under way, as is the **Yankee Plant in New England** and the **Enrico Fermi Plant in Michigan.**

As the result of a new program developed by the Atomic Energy Commission, **Southern California Edison** recently announced that it plans to build a 300,000 kw pressurized water reactor, sponsored by **Westinghouse Electric;** and **Pacific Gas & Electric** is considering the installation of a General Electric boiling water reactor of the same size. **Consumers Power** also has plans to build a reactor in Michigan, and a plant in Florida is projected by a group of eastern utilities.

There has been no important developments with respect to the **fusion process of producing power,** based on the principle of the hydrogen bomb. However, a new device called Alice—short for Adiabatic Low-energy Injection Capture Experiment—has been developed at Lawrence Radiation Laboratories, which it is claimed will produce a temperature as high as 400 million degrees to trigger the fusion process; its sponsors hope to have the device in operation by January.

New and Novel Methods

There is little new to report regarding the fuel cell, MHD, and other novel ways of producing electricity directly from chemicals or heat. President Sporn of **American Electric Power** asserts that never before has there been such ferment of opportunity in power technology. "The development of magneto hydro-dynamics (MHD), the fuel cell, thermoelectric converters and thermyonic converters would prove possibly more significant in the next century than did the discovery of the control of nuclear fission." He rates MHD as the most promising line of development.

Considerations for the Investor

While the outlook for the electric utilities thus seems to be favorable over the foreseeable future (barring wars and other catastrophes) nevertheless there are many cross-currents affecting the earnings of individual companies. **It is advisable, therefore, for institutional and other portfolios to follow the principle of geographical diversification in buying utilities. This tends to reduce the risks inherent in unforeseen weather conditions, occasional labor difficulties, sudden regulatory upsets, changes of management, etc.**

Among the effects on earnings occasioned by weather conditions are the (1) variations in winter househeating due to abnormal winter weather; (2) sudden jumps in air-conditioning load due to heat-waves, etc.; (3) changes in the irrigation load in Texas, California and a few other states resulting from the amount of rainfall; (4) variations in the amount of hydro power available; (5) hurricanes and winter storms which may greatly increase maintenance costs.

But regulation is an even more important regional factor than weather, since increases and decreases in rates have a permanent (rather than temporary) effect

on share earnings. Moreover, such changes are sometimes magnified marketwise because they may engender fears that "the worst is yet to come." Thus, some investors have doubtless shunned the *stocks of New England utilities* because the states in that section (with the exception of Massachusetts) are noted for their strict regulation.

In California, with generally rising fuel costs (though at the moment oil prices are somewhat lower) the Commission has been unwilling to permit the use of automatic adjustment clauses in rates. As a result stocks of the utilities in that state are less popular than they seem to deserve, considering the rapid growth of population and industry. ***While rate increases have been granted, nevertheless the share earnings records for California utilities have not been very impressive as compared with those in Texas and Florida.***

In both the latter states the utilities have been able to take advantage of the growth in the state's economy. ***In Texas,*** of course, there is no regulation except by municipalities and ***in Florida*** a liberal Commission has not only allowed automatic adjustment clauses but also a liberal rate of return, ranging from 6½% to 7½%. *No wonder the stocks of Florida utilities sell at some 25-35 times earnings while those of California average about 14-17, and those in New England about 13-16 despite relatively high dividend payouts.*

In the Pacific Northwest there have been some doubts regarding the regulatory atmosphere, considering the background of public power in that area. *Utilities in Oregon, Washington* and *neighboring states,* have been in need of rate increases recently because of rising costs. Most of these utilities formerly purchased large amounts of cheap power from Bonneville, the U.S. Bureau of Reclamation, etc. Now more of the Bonneville power is being assigned to municipalities, PUD's, etc. under the "preference clause." Private utilities are getting less and must make up the difference, as well as take care of the steady increase in demand. Hence, most of them have been building important hydro developments or arranging to buy power from PUD hydro projects. But it now costs more to build and finance these new projects, both public and private, and hence the new power costs more than the old Federal power. ***Current rate decisions in this area are therefore being watched with special interest since they will be a substantial factor in the future earnings of these utilities.***

Regulation is state - by - state, and as there are now 50 states, it is difficult to discuss even briefly the trends in each state. However, a word or two about the more important states may be in order. ► **In New York** the Commission is rated as a little unfriendly to the utilities, but not nearly as harsh as during the sadistic Maltbie regime a few years back. The Commission has virtually forced the use of flow-through tax savings. **Consolidated Edison** has been granted some piecemeal increases in rates, but its major case awaits decision, and may prove a landmark in New York regulation. ► **In New Jersey, Public Service Electric & Gas** has a $36 million case pending, which may be decided by fall; here again flow-through may be required.

► **In Pennsylvania** flow-through is also required, but a fair value rate base is used, with generally satisfactory results. ► **In Ohio,** the state law still (in theory) permits a net reproduction cost rate base, but much of the initial regulation is in the hands of municipalities. While regulatory conditions are somewhat irregular, on the whole liberal returns are allowed if rate bases are taken at original cost. ► **In Michigan** the Commission's decisions have been disappointing, especially in the **Consumers Power** case, and the old fair value rate base has been changed to original cost. ► **Illinois,** however, still uses fair value and the Supreme Court has upheld normalization of tax savings; in general, the regulatory climate is good.

► **In the southern states,** we have already commented on *Texas* and *Florida.* **In Louisiana** the drab political background has resulted in some bad decisions for **Southern Bell Telephone,** and **Gulf States Utilities** (which is about half in that state and half in Texas) has had to take some rate cuts. Several years ago **Arkansas** treated **Middle South Utilities'** local subsidiary very badly, but this political problem was later solved and regulation is now fair.

Even an institutional research staff may have trouble following all the ins and outs of politics and rate litigation in the fifty states—hence, as we noted before, the wisdom of area diversification. END

Shippers And Shipbuilders Facing Stormy Weather

(Continued from page 317)

industry's fortunes will be small.

Financial Position of the Lines

In the face of declining trade, the shipping lines cannot expect to improve their already unhappy financial position. A tax bureau ruling, at the behest of the Maritime Commission, allowed the lines to set up special ship construction reserves and to allocate funds to this reserve free of federal income taxes. To some extent these reserves ease the financial burdens of the lines—**but stockholders should be aware that these are restricted funds and cannot be used for dividend payments or for any other purposes other than shipbuilding. Moreover, even if the line were to liquidate, choosing to go out of business, these funds would be subject to all the past forgiven taxes before liquidation could be effectuated.**

Nevertheless, the reserves only partly alleviate the financial problems of the lines. The new ships being built are at least four times as expensive as those being retired, meaning heavy charges against earnings for many years to come. Furthermore, and this is vital—the huge depreciation charges that will build up will not be cash flow in the usual sense of the word, but must be segregated into a special ship construction reserve. *Thus although the lines will have large cash earnings in coming years, the funds will be sterile as far as stockholders are concerned.*

Moreover, none of this will be sufficient to cover building costs. Hence most lines will be forced to resort to debt financing to meet a large part of the building costs. The government will guarantee these obligations, but the lines must nevertheless meet the interest and maturity conditions of the bonds. Some idea of the magnitude of the problem can be seen from the U. S. Lines building schedule. In all 45 ships are to be built at a total cost of approximately $250 million, but the company has only $50 million in its building reserve. The rest must come from bonds, the government and most importantly from *improved operations.*

Individual Companies

Because of the peculiar nature of the problem of the shipping lines, most of the stocks are of the high risk variety. Moreover, although two companies, American Export Lines and U. S. Lines pay high dividends, the present rates cannot be considered secure.

American Export Lines is the nation's major shipper to the Mediterranean and some parts of the Far East. Operations in 1960 will not lead to as much profits as last year ($4.41 per share against $7.61 in 1958) despite the fact that revenues should advance.

The first quarter showed a deficit as a result of low freight revenues, delays caused by bad weather and some exceptional ship repair costs. Subsequent quarter should be better, but the company's heavy reliance on passenger travel (28% of revenues) could lead to trouble if present international tensions cause a cutback in tourism.

Another factor that will retard earnings this year will be heavy depreciation charges once the company takes delivery on four new ships scheduled for completion this year. With earnings on the decline, there is a possibility that dividends will have to be cut. Export has $133 million in shipping obligations over the next six years. Consequently building reserves must be enlarged. In years of $7.00 earnings there is enough to award stockholders large payments. But with earnings possibly below $4.00 in 1960, some cutback may become a necessity.

Lykes Bros. Steamship operates 54 cargo vessels to the Mediterranean, Western Europe, and parts of Africa. Other routes include the Carribean and Far Eastern ports. Most of the lines' trips originate in Gulf Coast ports.

Operations have been in a steady decline since 1956 when earnings reached a peak of $4.54. In 1959 they had slid to $1.85. However, 1960 should witness some recovery, adding further to Lykes position as one of the few companies in the industry in relatively favorable circumstances.

The company will build 53 new ships in the next ten years, but it has $133 million in special reserve funds already, giving it a big head start over other companies in the field. Since additional earnings and depreciation charges will continue to build the fund in the future, Lykes will probably be able to complete its program without outside financing. Nevertheless dividend payments will remain at no more than a dollar for the time being and will probably not be raised even a few years hence unless operating results show more profits than currently.

For 1960 earnings will probably rise to over $2.25 per share, but further improvement will be slow unless worldwide shipping rates strengthen considerably. Lykes offers some speculative appeal, but will require a great deal of patience.

Moore-McCormack Lines serves the Far East, Latin America and Scandinavia with 40 cargo ships and two passenger vessels. Poor operating results, combined with heavy financing problems in connection with its construction program has resulted in an irregular dividend policy. The company declared 15¢ in May of this year, first payment since September, 1959. Earnings declined sharply last year, falling to 62¢ per share for all of 1959 from $2.28 in 1958. Probably of greater importance, however, was the fact that the company will take delivery of two new ships this year and will have to raise another $10 million through borrowing for four additional ships scheduled for delivery in 1961.

Earnings will probably advance modestly in 1960, but it is unlikely that previous records will be attained for several years.

U. S. Lines—Unlike the American Export, U. S. Lines' dividend appears secure at least for the next year. Unrestricted earnings (those not required to be plowed back into shipbuilding funds) have been over the $2.00 dividend for the last few years and appear likely to remain so in 1960. After that, however, there may be trouble in view of the heavy financing ahead.

With the greatest portion of its revenues deriving from the lucrative North Atlantic run, where both passenger and freight rates are the firmest, U. S. can view the immediate future with some security. Rising costs of cargoes pose problems, however and must be solved if the dividend is to remain a fixture.

Lean Period for Shipbuilders

Shipbuilding is a notoriously cyclical industry, and there can be little doubt that the domestic builders are at the low end of the cycle. After the tremendous tanker stimulus connected with the Suez Crisis there is now such a glut of tankers that even the low cost Japanese yards are half idle. In fact new orders for Japanese ships are anticipated at 900,000 tons this year against a capacity of over 1,800,000 tons. What is even worse, however, is that whatever building is being done, here and abroad, is being done at bargain prices in face of the feverish bidding for the business available. An idea of what the situation is like can be seen from the change in bids for passenger ships between April and November 1959. Bids averaged 4% less in November, while the April bids were already considered bargain rates.

For the American companies some business is available from domestic lines and of course naval construction channels a good deal of its business into private yards. Nevertheless there is not enough to go around.

Newport News Shipbuilding, one of the largest yards in the country, is protected from a severe decline in earnings by heavy naval contracts. Still, the absence of commercial work, plus smaller repair revenues from a less active fleet (idle ships need no repairs) will lead to a decline in earnings in 1960.

Foremost among the company's contracts is the naval carrier Enterprise, a nuclear powered vessel, and several submarines designed as missile launching vessels. These, however, will not be enough to make up for the virtual end of the tanker program. Newport has only three more lucrative tankers to deliver. Most of the balance of its commercial work is low profit margin business taken when order rates declined.

The current dividend rate of 40¢ quarterly appears safe and may even again be augmented by a year-end extra, but the future is far more uncertain. Earnings will decline in 1960, possibly to $4.00 from $4.81 last year. In 1961, however, they may be even lower.

American Shipbuilding is the chief beneficiary of the opening of the Great Lakes to ocean going vessels. With the largest yards on the Great Lakes, repair work never before available has now fallen into its lap.

In addition, the increasing level of iron ore imports provide a good market for oreboats, a prime source of revenue for the company.

Both factors combined to reverse a large deficit in 1958, creating per share earnings of $2.37 in 1959. A follow-through in 1960 is expected.

Bath Iron Works is one of the healthiest of the shipbuilders because of its policy of specializing in small naval craft of the frigate and destroyer type. Backlogs are usually sufficient to assure two to three years work, and the current $110 million unfilled order position is no exception.

For the time being, Bath will remain healthy. However, a major shift in policy placing total naval strength in missile launching submarines could work to the company's disadvantage.

In 1960, current contracts will lead to rising earnings for Bath Iron Works. Revenues should rise to the record levels of 1958 and earnings should exceed $6.00 per share. Continuation of the 75¢ quarterly dividend is a minimum expectation.

Todd Shipyards, primarily a repair organization is feeling the effects of the decline in U.S. shipping operations. Furthermore, the periodic labor strife in New York harbor has led many ships to avoid the port leaving a void for

Todd. Earnings last year fell sharply to 56¢ per share from $3.81 a year earlier. This year may show some improvement, but a return to the 1958 level appears far off in the future.

New York Shipbuilding, though traded separately on the New York Stock Exchange is in fact a consolidated subsidiary of Merritt-Chapman & Scott. The company's principal backlog at the moment is for naval vessels, with commercial work playing only a minor role. Earnings last year fell to only $1.27 from $3.69 the year earlier. Future prospects, however, are as doubtful as the entire naval procurement program.

Summary

Both the shipping and the shipbuilding companies offer little to investors not interested in high risks. Aside from their basically uneconomic position, they are subject to sudden changes of fortune as government policies change. Furthermore, except for American Export and U. S. Lines, dividends are generally not high to compensate for the risks. END

The Investment Atmosphere In Africa Under 22 Different Currencies

(Continued from page 307)

Africa. **The Rhodesian currency is still relatively stable at $2.70 in unofficial trading, vs. an official rate of $2.80. Much will depend on the coming November Constitutional Conference of the Federation in London.**

THE UNION OF SOUTH AFRICA presents a special case, as it is most advanced economically and backward socially. The latter, in view of recent eruptions, can no longer be lightly glossed over. **The previously solid South African Pound dipped to as low as $2.60 in the free Hong Kong banknote market, against a $2.74 listing a month before the racial outbreaks.**

The official rate is $2.80 per pound. Gold and foreign exchange reserves dropped $65 million from March 18 to April 29 and $20,700,00 in the following week alone. Foreign holders of stocks sold an estimated 10% or more of the issued stock of South African companies as an immediate result of the native uprisings. The London gold shares index fell about 22%.

Overall foreign investments total about $4 billion, of which 60% are direct investments. U.S. investments are now estimated at over $630 million, again about 60% in direct form. About 170 U.S. concerns are represented in various fields, with auto and steel manufacturing recently the most attractive, at least before the revolts. Automotive and electrical equipment, appliances, industrial equipment, drugs, cosmetics, foods, etc. are represented. Among American firms there are: **Abbott Laboratories, Addressograph and Multigraph, American Chicle, American Cyanamid, Bristol Myers, Corn Products Co., Ford, General Motors, General Tire and Rubber, Goodyear, International Harvester** (annual sales in the Union of about $10 million), **Kellogg** (cereals), **Kennecott Copper, Lock Joint Pipe, Masonite Corp., Minnesota Mining, National Cash Register, Newmont Minin, Parke, Davis, RCA Shell Oil, Standard Vacuum Oil,** etc.

Non-Americal investors include the huge **DeBeers Consolidated Mines, Ltd.** with net current assets of over $100 million, involved in diamond mining, trading, finance and industrial companies, gold, uranium, copper and coal mining. Then there is the giant **Englehard Industries** complex, with its mining, forestry, newsprint and other interests. The **American-South African Investment Co., Ltd.,** a closed-end investment company, with Englehard as Chairman, has substantial sums invested.

The economic outlook of the resource-rich country is still very promising, but the social picture is dangerous, to say the least. Non-residents have free movement of their capital, but most is not in easily or readily transferable form but in direct investments. New risks lie ahead such as damage to property, labor strife, boycotts (both internal and external) of goods produced, etc.

A recent issue of the rather conservative and respected London Economist sums it up neatly: ". . . . The ultimate potentialities of South Africa are enormous. ***It has the mineral wealth, the communications, and the labor force . . . it has a wide range of industry, well-established. But the release of these human and material assets will not be achieved by supression of the African organizations, arrest of the leaders and of all those whites who have shown friendship towards Africans."***

Investor confidence fluctuations, as reflected by the prices of various African obligations in London, before and after the recent South African troubles, were listed as follows:

London Credit Rating of Bonds	*Price 1/1/60*	*4/12/60*
Nigeria 3%—1975-77	63½	59½
S. Africa 3½%—1965-67	85¾	79
Fed. of Rhodesia 6%—1978-81	96¼	88
Kenya 5%—1978-82	86	77
Tanganyika 5¾%—1978-82	96	87

To Sum Up

The Future Of Private Foreign Investments in Africa, other than being inescapably entwined with, and indeed often controlled by social and political factors, will depend on the willingness, adaptability and success of the West in providing public assistance and good, workable commercial and diplomatic relations. The Common Market group is now actively working towards cementing new ties with the area and to increase trade with Africa.

The latest step is an apparent agreement that independent Togo will continue to be an associated country, no longer through France or the French community, but directly with the Common Market as a group (that area took 78% of Togo's exports in 1958).

It is a necessity for the newly emerging African states, in addition to having U.S. cooperation and help, to have available a really unrestricted market in Western Europe and the U.S. A coordinated trade and aid policy for the Continent on the part of the free world is needed to lay the basis for necessary agricultural improvements, small industry and the "social overhead" area of water power development, education, ports, electricity, transportation, housing, etc. Then the smaller and poorer states, which have no real chance for "independent" survival, can progressively associate in new groups of varying degrees of cohesion — often with common currencies.

Independence in the Africa of the future will depend upon a cooperative effort towards this end, not isolated withdrawals by each new nation. If the West does not help provide the former, the Soviets will, as was so evident in Guinea. In that case, the foreign private investment outlook would merely be a subject for pessimistic discussions of "what could have been".

Therefore, the short and long term fate of investments, earnings and profits in the new states of Africa — and also those in established areas which will inevitably change in socio-political form and in boundaries — will depend upon a public investment program which must be advanced by the West.

Some recent developments in the former French community, involving a free association principle, and in the Commonwealth, especially as regards Nigeria, are indeed constructive. If such positive moves are not continued and expanded, however destructive social and political changes can only lead to catastrophe or a Sovietized Africa. END

Are Textiles At The Crest?

(Continued from page 325)

tive merits of nylon versus rayon in tire use have been the subject of many discussions, but certain of the basic differences appear to be clear. Nylon is able to resist impact, fatigue and moisture better than rayon but the latter has better dimensional stability.

Nylon has captured an estimated one-half of the passenger car replacement tire market in addition to aircraft and most heavy truck tires but the original equipment tire market for passenger cars has remained almost exclusively rayon until now. Significant penetration of this original market by nylon would also win it a large portion of the remaining replacement segment via market psychology. The tire manufacturers will make the final decision but it is certain that neither side will give in without a fight. Nylon prices have declined from $1.65 a pound since the time it was first used as tire cord to a recent figure of 97 cents. Rayon manufacturers retaliated to a recent round of nylon price cuts by dropping the rayon price to 57 cents per pound and, since 1.7 pounds of rayon are required for every pound of nylon, the two prices are competitive. Further price reductions for both fibers are possible, but it is generally felt that nylon manufacturers will be more able to weather a drop in price than will the rayon producers.

Based on recent statements by the president of Chemstrand Corp., he foresees a nylon "breakthrough" in the original equipment field in the next two years. Mr. O'Neal also predicted noncellulosic fiber consumption would rise sharply in the next several years. Sales might exceed one billion pounds by 1965 and, in the near term, would reach 700 million pounds this year compared to 1959's 624 million pounds.

Companies such as **Industrial Rayon, Beaunit Mills** and **American Enka** have already felt the effect of rayon price cuts and there is apparently nothing in the picture which lends a good deal of encouragement to the near-term outlook. Diversification into the nylon field or other areas probably will be the answer for these companies but this does not solve problems overnight. **American Viscose** also is experiencing narrowing margins but the 50% ownership in Chemstrand is an offsetting factor.

Apparel and Carpet Outlook Firm

After a very inauspicious start this year, retail sales of soft goods picked up following an improvement in the weather. Although no one can predict with certainty the prospects for the apparel group during the second half of the year, it has been forecast by several sources that 1960 will be a peak year in apparel sales.

In 1959, U.S. carpet makers experienced a record year. Dealers' shipments totaled 150 million square yards, 20% above the 1958 volume, while dollar sales rose 23% above the previous year. All carpet types — woven, tufted and knitted — shared in this rise. For the first half of this year, no appreciable gain is anticipated over the record levels reached during the initial 1959 period but, even if the full year only equals 1959 it will be a healthy situation for the carpet producers. Much will depend upon housing starts and the general level of business activity.

Over the next decade, it has been estimated that the market for consumer durables will increase from 20% to 50% and greater usage of carpets in nonresidential buildings should bode well for the carpet industry.

Present Position of Textile Shares

There appears to be some general relatinship between textile share prices and consumer spending for clothing. For instance, when consumer spending for clothing reached cyclical peaks in 1952 and 1956, the market prices of textile shares reached their highs in the years preceding these

spending peaks. Should another high be reached this year in consumer apparel spending, it may well be that the high point reached by the textile stocks in 1959 will represent the top of the cycle for the present.

In summary, the earnings outlook for companies which are heavily dependent on rayon manufacture is less dynamic than for other producers who have pursued more vigorous diversification programs. Share prices have discontinued the rather unimpressive outlook for most of the cellulosic fiber manufacturers but recovery of earning power appears to be a long term prospect. In selecting issues which appear to be relatively attractive at the present time, the choices seen to be limited to companies which are well diversified either within the textile industry or in other areas.

Company Comments

The more conservative investor might normally select the larger companies engaged in the production of both natural and synthetic fibers. Such a company would be **J. P. Stevens.** Cotton goods account for about 43% of volume, synthetics for 36%, and woolen and worsted fabrics the remainder.

Other companies that would appear to be interesting at the present time because of diversification outside of established lines are **Adams-Millis, Bigelow-Sanford** and **Cluett, Peabody. Adams-Millis,** in addition to being a leader in the hosiery field is one of the three companies producing control panels for data processing systems and, through an affiliate, will commence production of mangnetic tape this year. Earnings this year are estimated at $1.35 a share and the growth possibilities appear very interesting.

Relocation of its facilities in the South has materially enhanced the earnings position of **Bigelow-Sanford.** This large producer of carpets and rugs has purchased Crestliner, a manufacturer of pleasure boats, and further earnings improvement over the $1.73 a share of 1959 is anticipated. Although the company did not incur a Federal tax liability last year, provision was made in the earnngs statement in lieu of payment of taxes. It is possible that dividends may be resumed later this year. While earnings from its stretchable paper joint venture may not be realized for some time, **Cluett, Peabody's** major lines have been doing extremely well. Earnings this year may approach $5.00. Such a rate conceivably could preclude a slightly higher year-end payment.

Increasing shipments of acetate fibers plus an expanded position in chemicals and plastics has resulted in significant earnings improvement in the past few years for **Celanese Corp.** This favorable earnings trend is expected to continue in 1960 and some improvement in the present $1.00 dividend is possible. Chemicals and plastics now account for about 37% of sales and provides the company with long term growth characteristics. END

International Tel. & Tel. and Motorola

(Continued from page 303)

Motorola set an outstanding pace and gained a rank among the top two or three makers. To fortify this position, the company has announced it is preparing to introduce new models for the coming season. Among these is a new *transistorized* portable TV receiver powered with a silver cadmium battery and weighing only 40 pounds. Designated as the "astronaut," the modern set using a 19-inch tube is expected to contribute to substantial gains in retail demand for portables.

Acquisitions

Acquisition of two subsidiaries have broadened the diversification program. One addition was the Dahlberg Company of Minneapolis, fourth largest producer of hearing aids, and one of the first to introduce an all-transistor hearing aid. Late last year negotiations were completed for purchase, from Lear, Inc., of its LearCal division, which markets air-borne communications and navigation equipment and light aircraft autopilots. This development affords an opportunity for Motorola to become a major factor in serving the aviation market.

The company set a new high in its 31-year history in 1959 sales and earnings, with a 33 per

cent rise in volume to $290 million and a 92 per cent jump in net profit to $7.17 a share, against $3.80 in 1958. Management has proposed a two-for-one split to become effective with a distribution of one additional share for each held, to stockholders of record June 30. Directors have indicated that the new stock would be placed on an indicated $1 annual dividend basis with declaration of a 25-cent payment, representing an increase of 33 per cent. In a message to stockholders, management expressed optimism over prospects for the electronics industry and projected a 10 per cent rise in sales and earnings for 1960. END

The Growth Issue In The Presidential Campaign

(Continued from page 299)

and efficiency have made some headway, agriculture undoubtedly wil continue to lag in a controlled society.

No Room for Complacency

Notwithstanding the inherent weaknesses in the Russian economy and the prospects of a slackening in the rate of economic growth, we cannot afford to be complacent. We feel that, in view of the Russian menace, there are some measures worthy of consideration that will stimulate our economic growth without inflation and without loss of our freedom.

We can achieve the desired growth with . . .

1.—Full employment from increased productivity — by eliminating feather-bedding and various other abuses that are an extravagant waste of man power, skyrocketing costs unnecessarily.

2.—Jobs and productivity can be increased by modernization replacement of much of the existing industrial plants and equipment, much of which has become obsolete compared with the new equipment with which we have helped other nations to industrialize.

3.—Another way is by permitting depreciation on cost of replacement rather than only on the basis of the original cost.

4.—By a soundly conceived program of development in the South West in our own country—in depressed areas — and in Alaska, where climactic conditions are no different in many areas than they are in Canada.

5.—End the capital gains tax so as to give incentive to venture capital.

Increased Efficiency

The answer to our problems lies in using our manpower and money properly, not wastefully—rather than resort to any Keynesian schemes of stepped-up government spending that wastes our resources, and, because it is of a largely unproductive nature, destroys our wealth.

We have had plenty of time to observe the workings of government domination in operation on the economies and freedoms of people the world over, and we have also during these past several decades been able to watch the advantages of free enterprise and freedom at work in the many worn-torn countries—so that it should be no trouble for us to make our choice as to the way of life we intend to pursue in the future.

This is no time to follow the exhortations of eggheads, for our salvation depends on being guided by practical ideas and experience. It takes a long time to build up an economy and only a short time to tear it down. We need only to look about us and see what has happened in our own hemisphere. END

For Profit And Income

(Continued from page 327)

best-selling of the new entries, but there has been no net gain. Street reports from inside sources estimate second-quarter unit volume as about equal to a year ago, with some 40% of it in Falcons, dollar sales off about 8%, earnings around $2.48 a share, against $2.76 a year ago. Full-year net might be in the vicinity of $7.25 to $7.75 a share, against 1959's $8.23 and the peak $8.51 of 1955. Considering the strong cyclical factor in this business, the stock does not strike us as cheap around 70. END

Spies, Satellites and Stocks

(Continued from page 295)

termittent strength in this group, especially in issues involved in merger talks, contributes to favorable technical action.

Although demand for seasoned equities among blue chip industrials already selling at exceptionally high price - earnings ratios may have been stimulated in part by fear of a return to Treasury deficits and dollar depreciation, one must keep in mind the fact that pension funds and mutual funds continue to create extensive accumulations of new capital that must be invested. Under the circumstances, savings of this type tend to flow into common stocks.

In Conclusion

Lest one gain the impression from observations set forth here that our views of the longer range have altered, it may be appropriate to reiterate that we feel that a further readjustment in the stock market is likely to develop a little later in the summer after the current short-run rebound from last winter's setback has been completed. Accordingly, investors are counseled to follow a course of careful discrimination in selection of investments — restricting current purchases to portfolios prepared to assume above-average risks in anticipation of possible short term gains.
—Friday, May 27.

★ ★ ★ Book Reviews ★ ★ ★

The Spirit's Pilgrimage

By MADELEINE SLADE

Foreword by VINCENT SHEEAN

THE SPIRIT'S PILGRIMAGE is a most exceptional and intriguing human document — the autobiography of an amazing woman whose life was dedicated to searching out — and serving — a selfless ideal.

Madeleine Slade was born in 1892, of a good country family in comfortable circumstances. Her father was an officer in the Royal Navy and later became an Admiral and Commander in Chief of the East India Station.

As a girl she spent some time in India, enjoying the color and luxury of Vice-Regal society, but totally unaware of the Indian people and their aspirations to freedom from British rule.

It was only later, in London, after debutante days, that her spiritual search began. Through listening to the music of Beethoven and reading Romain Rolland's popular books on the composer, she decided to seek out the famous author. Rolland, in turn, urged her to read his book on the life of Gandhi (then a little-known figure outside India), and immediately and permanently the life of Madeleine Slade was changed.

Miss Slade wrote Gandhi and, after a year of trial and preparation, finally secured his permission to come to India to join one of his Ashrams or community villages.

Renouncing her British citizenship, forsaking her family and friends, and taking the name of Mira behn (Beloved Sister), this quiet, stoical and mystic woman began a life completely alien to anything she had ever known.

From 1925 until 1948 — the date of Gandhi's assassination—Miss Slade remained one of the Mahatma's foremost disciples and trusted lieutenants. From the first Salt Campaigns, through the early days of Satyagrahu (passive resistance), to the meeting with the Viceroys, the London Round Table Conference and World War II, she quietly shared the daily drudgery, disease and despair of India's depressed peoples in their struggle for freedom.

In THE SPIRIT'S PILGRIMAGE, Madeleine Slade has broken a long and selfless silence to write the first really intimate picture of one of the world's truly great leaders, and to provide an inspiring unforgettable personal record.

Coward-McCann $5.75

Up, Into The Singing Mountain

By RICHARD LLEWELLYN

This book is the captivating sequel to Richard Llewellyn's best-selling novel, *How Green Was My Valley* — the novel that won the hearts and minds of thousands of readers and became an Academy Award-winning motion picture. In this new novel, Huw Morgan, following his brothers and sisters who had begun to migrate from the Valley in Wales, leaves his home to find a new life in a Welsh colony in Patagonia, far down in South America, and continue his work as a cabinetmaker.

Here is the delightful story of the further adventures of Morgan as he emigrated from Wales; of his success at the cabinet business; his frequent troubles with the Widow Glenn, whose boardinghouse interests were not always confined to house management; of the three perplexing Corwen girls and his love for one; of the ever-present danger that threatened the valley — the danger of a broken dam that would bring a torrent of destruction upon the valley, and for Huw and his beloved Lal, the long-awaited promise of the singing mountains.

This is a novel about a proud, romantic, vital people who, even though they live hundreds of miles south of Buenos Aires surrounded by marauding Indios are as Welsh as their miner forbears. Writen in the same disarming style as *How Green Was My Valley*, with its Welsh twist of phrase, startling imagery, and lyricism, UP INTO THE SINGING MOUNTAIN is Llewellyn at his best.

Doubleday $4.95

Understanding Put and Call Options

By HERBERT FILER

The country's foremost authority on put and call options reveals the great advantages of these buy and sell options and how they may serve as insurance for security and for profit.

Here, in clear, simple language is a detailed description and analysis of how, with a put or call option, risk limited to the cost of the option (maybe a few hundred dollars), you can make unlimited profits (possibly thousands of dollars in 90 days).

Many successful traders and professionals "buy" and "sell" options (call and put) because they know these options can make big profits for them and also can protect unrealized "paper" profits on the stocks they own.

This book shows how they do it and how you, too, can make maximum profits on minimum investments. It shows also how you can sell options on your own stock to increase income, where and how to buy and sell puts and calls, how to use them to make capital gains instead of short-term profits, and how to use options to protect profits on your stocks.

Crown Publishers $3.00

The Invisible Presidency

By LOUIS W. KOENIG

The Invisible Presidency is the readable and stimulating account of a peculiarly American institution and of seven men, each of whom, in a critical period in our history, sat behind the presidential "throne" and manipulated, meddled, and quite often made genuine contributions to the administration of domestic and foreign affairs.

It may be a temptation to begin the book with the last chapter, the chapter on Sherman Adams. *("Like Herbert Hoover, Florence Nightingale, and Walter F. O'Malley of the Brooklyn-Los Angeles Dodgers, Sherman Adams is in danger of becoming one of the misconstrued figures of history.)* Mr. Koenig examines fairly and thoroughly the various aspects of Adams's hydra-headed role: ringmaster, buffer, hatchet man, job-giver, bouncer, fall guy, housekeeper of the White House. Through personal interviews, he has collected many anecdotes which present a full-scale portrait of this strange and brilliant man who was personally responsible for so much during his tenure of office. The disturbing feature of the Dixon-Yates, Golfine scandals lies not so much in the minor immoralities that Adams committed, but in the lack of judgment that he showed. "On how many other matters." Koenig asks, "vital to the country's welfare and disposed of in absolute secrecy, did Adams indulge in misjudgment?"

But Adams, admittedly the closest in time, is by no means the most controversial figure among the gallery of presidential advisers assembled by Mr. Koenig. A sharp look into backstage history is provided by tracing the evolution of this unofficial office through the tenures of other "court favorites," among them some of the most exciting, exacerbating, or shadowy figures in our political history; Alexander Hamilton (George Washington), Martin Van Buren (Andrew Jackson), William Loeb, Jr. (Theodore Roosevelt), Col. Edward M. House (Woodrow Wilson), Thomas G. Corcoran and Harry Hopkins (Franklin D. Roosevelt).

Rinehart $6.95

STANDARD OIL COMPANY (INDIANA), 1959 ANNUAL REPORT

RESERVES AT ALL-TIME HIGH

EARNINGS INCREASED 18.5% OVER PREVIOUS YEAR

NORTH AMERICAN PRODUCTION. Our proved reserves of crude oil and natural gas liquids in the United States and Canada rose to 2,243 million barrels—the highest point in history. A large bank of favorable acreage is under lease. A new record in natural gas production was established while reserves were climbing to a new high total of 13.3 trillion cubic feet. Net domestic production of crude oil and natural gas liquids showed a 7.1 per cent increase over 1958 (contrasted with an industry gain of 5.7 per cent) despite continued severe proration in Texas and other states and the province of Alberta. Net production averaged 305,839 barrels a day despite restrictions to 123 allowable producing days in Texas last year. Natural gas production increased 12 per cent to 1.51 billion cubic feet a day.

FOREIGN ACTIVITIES. Some of our foreign prospects for crude oil development moved toward realization. We drilled 91 wells in Argentina under a contract with the state oil agency, developing an indicated producing capacity of 24,000 barrels per day. In Venezuela we hold a one-third interest in a well in central Lake Maracaibo that flowed light oil on test at a rate of 5,000 barrels daily. In addition exploration continues in Iran, Libya, Algeria, Mozambique and Italy.

MANUFACTURING. The year saw significant advances in the continuing program of improvement and modernization. At Whiting, a 140,000-barrel-a-day crude running unit, one of the largest in the world, came on stream replacing nine smaller obsolete stills. At Wood River a 67,500-barrel-a-day unit replaced five obsolete stills, and a 30,000-barrel-a-day fluid catalytic cracking unit retired six old thermal cracking units, a small cat cracker, and two vapor recovery units.

RESEARCH. In 1959 the potential of the Athabasca tar sands of Canada was brought closer to realization by our exploration and production research efforts and field tests. In addition to a number of important product improvements, our product and process research was reorganized to provide a more effective focus of scientific talents.

MARKETING. Despite increasingly keen competition, our sales record was surprisingly good. We increased our share of the reseller market on a national average. All-time sales records were set in tires, batteries, accessories and LP-gas. Efforts to reduce distribution costs gained momentum with a unique pipeline terminal at Trenton, Missouri, which permits drivers to load trucks directly from the pipeline, thus eliminating storage expense and reducing manpower requirements.

NET WORTH AND FINANCING. Net worth at the end of 1959 stood at $2,162,000,000, a gain from 1958's record $2,076,900,000. Book value per share increased to $60.44 in 1959 from $58.06 in 1958.

DIVIDENDS. Total dividends in 1959 had a value of $1.931 per share, equal to about 50 per cent of earnings. Regular cash dividends for the year were supplemented by a special dividend in Standard Oil Company (New Jersey) stock with a value, based on the December 18 market price, of 53.1 cents per share. We have paid dividends for 66 consecutive years.

THE STORY IN FIGURES

	1959	1958
FINANCIAL:		
Total income	$1,980,779,000	1,882,441,000
Net earnings	$ 139,597,000	117,775,000
Net earnings per average outstanding share	$ 3.90	3.29
Dividends paid*	$ 54,498,000	53,197,000
Dividends paid per share*	$ 1.931	1.687
Earnings retained in the business	$ 85,099,000	64,578,000
Capital expenditures	$ 268,868,000	270,387,000
Total assets	$2,846,502,000	2,769,317,000
Net worth	$2,161,981,000	2,076,853,000
Book value per share	$ 60.44	58.06
PRODUCTION:		
Crude oil and natural gas liquids, barrels per day, net	307,686	285,474
Natural gas, thousand cubic feet per day, net	1,509,343	1,347,590
Oil wells owned, net (year end)	11,164	10,872
Gas wells owned, net (year end)	2,268	2,193
MANUFACTURING:		
Refinery input, barrels per day	598,280	640,648
Crude running capacity, barrels per day (year end)	707,400	691,800
MARKETING:		
Refined products sold, barrels per day	661,466	645,745
Retail outlets served	28,380	29,032
Natural gas sold, thousand cubic feet per day	1,566,993	1,422,498
Crude oil sold, barrels per day	325,416	277,183
TRANSPORTATION:		
Pipelines built, miles	252	281
Pipelines owned, miles (year end)	17,609	17,568
Pipeline traffic, million barrel miles	155,332	152,796
Tanker and barge traffic, million barrel miles	90,191	93,710
PEOPLE:		
Stockholders (year end)	158,553	151,937
Employees (year end)	43,569	46,033
Wages and benefits	$ 348,411,000	352,469,000

*"Dividends paid" include the value *on this Company's books* of the Standard Oil Company (New Jersey) stock distributed as a dividend. "Dividends paid per share" include the *market* value of the Jersey stock on date of distribution.

THE COMPANY AND ITS SUBSIDIARIES

Standard Oil Company (Indiana) is a fully integrated oil company. The parent company, established in 1889, operates as a refiner, transporter, and marketer in 15 Midwestern states. In these it has exclusive trade-mark rights to the Standard Oil name. Two subsidiaries—The American Oil Company and Utah Oil Refining Company—refine and market in 33 other states.

PARENT COMPANY | ***WHOLLY OWNED SUBSIDIARIES***

STANDARD OIL COMPANY (INDIANA)

UTAH OIL REFINING COMPANY
Manufactures petroleum products and sells them in five Western states.

THE AMERICAN OIL COMPANY
Manufactures, transports, and sells petroleum products in 28 Eastern, Southern, Southwestern, and Western states.

Other major subsidiaries (wholly owned): Pan American Petroleum Corporation • Pan American International Oil Corporation • Service Pipe Line Company • Indiana Oil Purchasing Company • Tuloma Gas Products Company • Amoco Trading Corporation • Amoco Chemicals Corporation

STANDARD OIL COMPANY
910 SOUTH MICHIGAN AVENUE, CHICAGO 80, ILLINOIS

Please send me a copy of the Standard Oil Company (Indiana) 1959 Annual Report.

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